Review of the evidence taken by the Committee...

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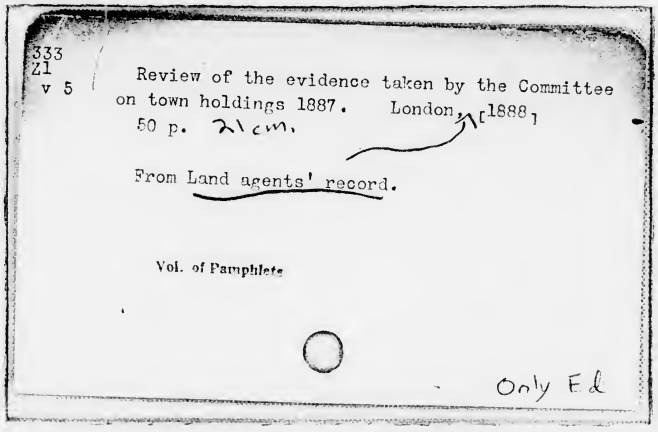

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REVIEW

OF THE

EVIDENCE TAKEN BY THE COMMITTEE

ON

TOWN HOLDINGS,

1887.

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TOWN HOLDINGS.

THE Select Committee of the House of Commons appointed in the session of 1886 to "inquire into the terms of occupation and the compensation for improvements possessed by the occupiers of town houses and holdings in Great Britain and Ireland; and to inquire into the expediency of giving to leaseholders facilities for the purchase of the fee simple of their property; and also into the question of imposing a direct assessment on the owners of ground rents and on the owners of increased values imparted to land by building operations or other improvements," was reappointed in 1887; and, having spent the whole of that session in hearing witnesses, has reported their evidence to the House, with a recommendation that a Committee be appointed on the same subject in the next session of Parliament, but without any expression of opinion upon the information already obtained.

This Committee has already been reappointed, and resumed its inquiries; and it will be doubtless a matter of general interest (most persons being concerned either as landlords, tenants, or ratepayers in the questions at issue), to obtain a general idea of the effect of the evidence already given, at somewhat less cost of time and labour than would be involved in wading through the Blue Book of more than 800 pages in which it has been published.

The Committee consisted of the following members, viz.:—Mr. Gibson, Mr. Tyssen Amherst, Sir John Ellis, Mr. Beadel, Mr. Baumann, Viscount Folkestone, Mr. Bartley, Mr. Elton, Mr. Compton Lawrance, Sir Henry James, Mr. Asher, Viscount Wolmer, Mr. Conybeare, Mr. Fry, Mr. Lawson, Mr. Edward Russell, Mr. A. H. Acland, Mr. Crilly, Mr. Gray, Colonel Nolan, Mr. Gerald Balfour, Mr. Thomas Ellis, Mr. Heath, Mr. Knowles, and Mr. James Rowlands, including, as will be seen, both some of the most vigorous assailants of the leasehold system, and gentlemen who may be fairly supposed to be interested in upholding the existing order of things.

Twenty-nine witnesses were examined by the Committee; of these, 16 are in favour of, and 13 opposed to, the measures suggested in the reference to the Committee. Their names are as follows:—Those in favour of such measures: Mr. Arthur Burr the Managing Director of the Landed Estates Company Limited, apparently a financial company for dealing with encumbered estates; Mr. J. G. Rhodes, a merchant, formerly Chairman of the Beckenham Local Board, and a prominent member of the Leasehold Enfranchisement Association; Mr. Geo. Stevens, baker, of Theobald's Road; Col. E. Hughes, M.P. for Woolwich, a solicitor and author of one of the Leasehold Enfranchisement Bills; Mr. Charles Harrison, solicitor, of Bedford Row; Mr. James Platt, woollen merchant and tailor's valuer, of St. Martin's Lane; Mr. F. Cooper, builder, of Beckenham; Mr. Edward Yates, builder, principally doing business in the south of London; Mr.

Robert Castle, land agent of Oxford, who has the management of many of the estates of the colleges and University; Mr. W. J. Evelyn, late M.P. for Deptford, and freeholder of a large building estate in that place; Mr. James Stockall, late Grand Master of the Manchester Unity of Oddfellows; Mr. J. Holmes, hairdresser, representative of London Friendly Societies; Mr. John Green, a working man, employed at Woolwich Arsenal; Mr. James Toogood, of Burlington Street, druggists' sundriesman; Mr. Benjamin Jones, manager of the London Branch of the Industrial Co-operative Society; Mr. W. Saunders, late M.P.—Those opposed to such measures: Mr. Robert Vigers, surveyor; Mr. Howard Martin, surveyor and auctioneer, of the firm of Thurgood and Martin; Mr. Edward Tewson, of the firm of Debenham, Tewson, and Co., surveyor and auctioneer; Mr. G. B. Gregory, solicitor, late M.P. for Sussex, and formerly member of the well known firm of Gregory, Rowcliffe and Co.; Mr. Arthur Garrard, surveyor; Mr. H. T. Boodle, solicitor to the Duke of Westminster and the Marquis of Northampton, having the management of their London estates; Mr. R. E. Farrant, Managing Director of the Artizan's Dwellings Company; Mr. C. Gatliff, Secretary of the Metropolitan Association for Improving the Dwellings of the Industrial Classes; Mr. Edward Bailey, solicitor and managing trustee of the Portland Marylebone Estate; Mr. James Moore, secretary to the Improved Industrial Dwellings Company; Mr. Francis Edwards, surveyor to the Evelyn estate at Deptford; Mr. J. R. Bourne, solicitor and steward to the London estates of the Duke of Bedford; Mr. J. Dunn, surveyor to the London estates of the Duke of Norfolk. It may fairly be assumed that the evidence of these gentlemen, representing as they do all the various interests involved, gives a full and fair view of both sides of the question.

The remedy proposed for the alleged evils of the London system of building leases by its opponents is what is known as leasehold enfranchisement, that is to say, giving the holders of leases having more than 20 years unexpired the power to forcibly acquire the freeholder's reversion to their holdings, either by purchasing both the freeholder's reversion and his ground rents; or by merely extinguishing the reversion, turning the leasehold into a freehold, and the ground rent into a perpetual rent-charge. Several Bills have been brought into the House of Commons to secure this object; some of which provided compensation for the ground-landlord for "forced sale" and "injurious affection" of the remainder of his estate, and others did not; but it is unnecessary for the present purpose to discuss their details, which were admitted, even by their authors, to be unworkable without considerable alteration. All, or the majority, of these Bills, provided that restrictions in leases on the user of property should remain binding after enfranchisement.

The evidence took the form of the attack and defence of the existing London system of letting property on building and other leases on the one hand, and of leasehold enfranchisement on the other, and it will be convenient to consider the statements of the various witnesses in connection with the allegations on either side.

I.—It is alleged that the terms of building leases are in themselves unfair, because the buildings erected by the tenants on sites held on leases revert to the ground landlord at the expiration of the leases, and that leases (in London especially) are not the result of fair bargains, but are forced on the lessees by the monopoly of the landlords.

As regards the origin of the system of building leases in London, Mr. Charles Harrison gave the Committee some very interesting historical information. He stated that in 1676 London had within the walls an area of 380 acres and a population of 71,000, and outside the walls an area of 288 acres and a population of 40,000, making a total population of 111,000 on a total area of 668 acres; that almost the whole of this very limited area and of the land available for the increase of the town was the subject of settlements which gave no power to lease for long terms, and prevented or interposed great obstacles in the way of sales; that builders and others were compelled by the rapid growth of the population and a practical monopoly of land to accept whatever tenure the landowners were, under the circumstances, willing to grant; and that the building lease system of London, therefore, did not grow out of the mutual interest of lessor and lessee in fair bargains, but was forced on the lessees by the legal difficulties and family interests of landowners.

On the other hand, Mr. John Robert Bourne informed the Committee that the practice of granting building leases was well established before the time of the great fire of London; that he had among the papers of the Bedford estate very many leases dated before 1780, and produced one, dated 1630, for a term of 31 years. He stated that the leases first granted were for that term; but that in later leases the term was actually extended to 60, and then to 99, but afterwards 80 years, to meet the demand of the lessees who found the shorter terms insufficient for their purpose, and expressed a decided opinion as the result of his investigations and experience that the system had not grown up in London because of the monopoly of the landowners, but from the desire of the builders to economize their capital and avoid sinking it in the purchase of freehold land.

These historical facts, however (affecting as they do but a small portion of the vast district which is now called "London"), although highly interesting, do not throw much light after all on the merits of the question at issue. The use of the railway the telegraph and the telephone has enormously extended the area in which London business men not only reside but work, and London practically now covers the whole of the area within a circle of nearly 20 miles in diameter. A great part of this enormous district has been covered with buildings within the last 50 years and did not form part of the estates of any large landowners. It may reasonably be supposed therefore that, whatever may have been the case in the 17th century, the dealings of the 19th have afforded ample opportunities to persons acquiring land for building to obtain terms that suited them, and to give effect to a preference for freehold if such a preference existed.

As to this we have ample evidence.

Mr. Robert Vigers, speaking from 40 years' experience extending over all parts of London and the suburbs, says there is no difficulty in buying freehold land in every quarter round London; Mr. Howard Martin quoted to the Committee an analysis of sales at the auction mart (prepared by Mr. Sherwin), shewing that in the year 1884 these sales included 3903 houses within the 12 mile radius, of which 2,443 were leasehold, 1,332 freehold, and 128 copyhold, the streets in which the houses of the different tenures stood being divided in about the same proportion. He also stated that according to their printed reports the National Freehold Land Company and British Land Company have sold 8,000 acres in building plots, of a value of more than £4,000,000, since 1849; the Birkbeck Society in 33 years has divided in freehold plots among its members 35 estates of the value of £341,000; the National Liberal Land Company, in the year 1885, sold freehold building plots to the value of £40,487; there are also other companies being large businesses in the same way, besides many private persons who make it their business to "cut up" estates into freehold plots for sale. Mr. Edward Tewson, whose firm has sold property to the value of more than £20,000,000 in the last 30 years, says that at any time within that period freehold land

ould have been bought in every district of London and the suburbs, and hat the supply both of freehold and leasehold property has always been ufficient; Mr. Arthur Garrard, having had thirty years' experience as a urveyor in dealing with London and suburban building estates, said that he new of no part of the suburbs of London where freehold building land for levelopment could not be bought by those who preferred it; Mr. Yates, after 0 years' experience in building small house property in South London, spoke of the purchase of freehold land as a question of whether "you had capital o spare," and said he had himself a freehold estate of 40 or 50 acres on which ie is building; Mr. J. J. Stockall claimed considerable acquaintance with he London suburbs and knew of none in which freeholds could not be ought; it is true that Mr. Rhodes asserted that it was practically impossible o buy freehold at Beckenham, but he was contradicted by Mr. Vigers, who named an estate at Beckenham where freehold land for building can be bought; and Mr. Green, who asserted that it was almost impossible to buy freehold building land in the neighbourhood of Woolwich, and mentioned Sir Julian Goldsmid's estate as one of those in that neighbourhood on which freehold cannot be bought, was immediately corrected by a member of the committee (Mr. Beadel) who stated that he was himself Sir Julian Goldsmid's agent, and would be "only too glad" to sell the land freehold. It would seem therefore that it is and has been sufficiently easy to obtain freehold land or houses in and near London to create a fair competition between the freehold and leasehold systems and that where leaseholds exist it is usually because that tenure is mutually advantageous both to landowners and building-owners; this conclusion is confirmed by the well-attested fact that it has proved almost impossible in provincial towns successfully to introduce the system of building leases in opposition to any existing local custom of building on freehold land.

The evidence as to the practical working of the system of building leases in the Metropolitan area gives no confirmation of the suggestion that the system is forced on builders by the landowners' monopoly. Mr. Vigers is of opinion that the leasehold system has grown out of freedom of contract, and should not be altered; Mr. Tewson, that it has grown up naturally in consequence of the public demand, and of the importance to builders and occupiers in places where land is of great value in proportion to the buildings upon it, of obtaining a site without locking up their capital in it; Mr. Garrard, that the London leasehold system has grown up from natural economic causes, benefits landlord builder and all concerned, and ought not to be interfered with; Mr. Rhodes, on the other hand, stated that there was no freedom of contract in arranging building leases between lessor and lessee, because the best sites are all leasehold, but his opinion was admittedly not based on practical knowledge, except of Beckenham, and is contradicted by the evidence already quoted, except as regards the advantage afforded to sites on leasehold estates by the restrictive covenants of the leases, which protect them from the risk of depreciation by the adjoining property to which houses surrounded by freeholds are liable; Mr. Charles Harrison expressed a very decided opinion that the leasehold was not a voluntary system nor a free growth, but his opinion seemed to be based on the historical researches already referred to and the condition of old London, and entirely to ignore the facts of the development of the suburbs. Unless, therefore, it can be shown that there is something so inherently unfair in the terms on which leases are usually granted as to raise a presumption against such arrangements having been free contracts, sufficiently strong to outweigh this evidence, it may be fairly concluded that this allegation is disproved.

Before discussing the evidence on this point, it may be well to clear the ground by stating that the witnesses on both sides were unanimous in condemning leases for lives, and leases for short terms with a right of renewal on notice being given by the leaseholder, because such leases do not give any certainty as to the duration of the tenancies, in the one case being subject to all the uncertainty of human life and in the other to the chance of a lease being lost by the accidental omission of a formal notice.

As regards building leases, Mr. Vigers, Mr. Tewson, Mr. Garrard, Mr. Castle, Mr. Dunn, Mr. Howard Martin, and Mr. Edwards, Mr. Cooper, Mr. Boodle, Mr. Gregory, Mr. Bourne, and Mr. Bailey, all of whom spoke from practical experience in dealing with building estates as solicitors surveyors or builders, gave evidence as to the terms on which it is customary for land to be let on building leases, and as their statements practically agree it will be unnecessary to quote each in detail. It was very well put by Mr. Bourne that a building lease is a union of capital by the two parties; one provides land streets sewers &c., and the other materials and workmanship in the houses. During the lease there is a partnership between lessor and leaseholder, the lessor receiving a small fixed annual sum with an interest in the joint capital which increases as the end of the lease approaches, the leaseholder the whole of the annual profits less the fixed sum payable to the lessor with a decreasing interest in the joint capital. Mr. Boodle also well defined ground rent to be the yearly sum paid by a builder during 80 90 or 99 years, for the use of the ground on which he builds, so fixed as to enable the builder to put up and maintain buildings at his own expense, and get back his outlay with a profit before the lease expires, when the land with the more or less worn-out buildings reverts to the ground landlord; in fact, the builder buys an annuity for a term of years.

According to the evidence the terms now usual in letting land for building are as follows:—The estate owner makes roads and sewers and lays out his land for building, and lets it on "building agreements" in large blocks, subject to fixed ground rents, for the erection of an agreed number of houses, the material and workmanship of which are to be of a specified quality. The whole or part of the ground rent is usually remitted for the first 6 12 or 18 months of the term, in order that the taker may be able to secure an income from his buildings before his rent commence. The wholesale ground rent is fixed at less in proportion than the full retail annual value of each site, in order to compensate for the ultimate reversion of site and building to the ground landlord, and also to allow of a profit for the wholesale taker of the land. The takers or their nominees build on the land, apportioning the ground rent among their houses as they choose (subject to a limit as to its proportion to the rack rental value), and the separate leases of the houses when the buildings reach a certain stage are granted by the ground landlord direct to the purchasers if the builder succeeds in selling his houses; so freeing him entirely from any law costs in that event, except the charge for the building agreement in the first instance. The ground rents apportioned on the houses, being usually at a higher rate than the wholesale rent of the land, produce a profit or "improved ground rent;" and this is sometimes sold by the builder (often to the ground landlord himself), and sometimes applied towards the extinguishing of the ground rent on some of the remaining houses, so as either to leave them entirely free of ground rent or very much to reduce the amount.

It is now not uncommon for such building agreements to give lessees of any part of the land an option of acquiring the freehold at a fixed price

within a limited period, usually one two or three years from the date of the lease, but this appears not to have been customary until within the last 25 years. These arrangements, are, of course, subject to variation; sometimes the taker of the building land makes the roads and sewers, the ground rent being less in proportion to his expenditure; sometimes the taker of the building agreement, instead of building himself, sublets the land he has taken to builders, and lends them money with which to build; very frequently the ground landlord finds money to assist the takers of his land in covering it; but the variations are only as to detail, and the witnesses were all practically agreed as to the general outline of the terms usual in agreements for building leases.

The evidence as to the usual length of building leases is somewhat conflicting. Mr. Rhodes thinks the average term in London and neighbourhood does not exceed 70 years. Mr. Yates states the term in some parts of South London is 70 years, but that 80 years is the usual term. Mr. Vigers, Mr. Boodle, Mr. Bailey, Mr. Edwards, Mr. Bourne, Mr. Dunn, and Mr. Howard Martin, give from 80 to 99 years as the terms now usual in and near London, that is 80 years in the older parts of London, and 90 or 99 years in the suburbs. It appears, however, that in some cases the terms are much shorter. Mr. Vigers stated that 60 years was an amply sufficient term in a neighbourhood like Lombard Street, where the value of a site increased in that period from £1,000 to £20,000. Mr. Bailey said, in Oxford Street where the value of the site was very large in proportion to that of the building, 60 years was found sufficient. Mr. Tewson said that his firm had themselves built premises in the City, for their own occupation, on a lease for 36 years, having calculated that it would pay them handsomely to do so; and pointed out that the length of term should be fixed with regard to the relative values of site and building, *i.e.*, in cases where the land is of great and increasing value and the building of small value in proportion, the builder can recoup himself in a much shorter term than where the relative values of site and building are reversed. Mr. Garrard mentioned a case of City property so valuable on account of its situation, that it paid the lessee better to build on the 40 years unexpired term of an old lease than to take a new and longer lease at a full ground rent. Theoretically the ground rent and length of term of a building lease should be so fixed that the lessee may obtain a net annual return which will produce a remunerative interest on the capital invested in building, and will also allow of his setting aside and re-investing year by year such a sum as will, by the end of his term when the land and the building revert to the ground landlord, return him the full amount of his capital; and the question of length of term is, therefore, as Mr. Tewson puts it, merely a question of adjustment between the ground rent actually charged and the full annual value in perpetuity of the land leased.

The witnesses examined were almost unanimously of opinion that the reversion to the ground landlord at the end of the lease of the buildings erected by the lessee is as a matter of fact fairly taken into account in fixing the terms of building leases, and, as to this, Mr. Yates and Mr. Cooper, builders who appeared as advocates of Leasehold Enfranchisement, supported the testimony of the solicitors and surveyors; Mr. Cooper saying that when he accepts a lease, he considers it a bargain beneficial both to him and his landlord, and fair between both parties; Mr. Yates, that he does not think it would matter to a builder whether the terms of a lease were 80 or 100 years. The evidence, however, supplies many instances of the actual results of building leases to the lessees which afford a more satisfactory basis for a conclusion than the mere opinions of witnesses, however

experienced. Mr. Garrard gave an instance of a suburban estate let at £50 an acre wholesale, on which the builder obtained ground rents amounting to about £100 per acre, apportioned at about £7 per house on houses let at £45 a year each (a proportion of ground rent to rack rental which is by no means high, and leaves an ample margin for the remuneration of a purchaser). Mr. Cooper stated that on plots for which he paid £2 a year ground rent he could apportion ground rents of £20 a year, and sell the balance or "improved" ground rent of £18 at 20 years' purchase. Mr. Bailey stated that the total amount of ground rents receivable by the freeholder on the Portland Town Estate only amounted to £1,900 a year, the bare land being now worth four or five times as much. Cubitt, Freake, Seth Smith, and others, were mentioned as instances of builders who had made large fortunes out of building on the leasehold system; Mr. Howard Martin gave instances in Belgrave Square where the holder of the original building lease paid a ground rent of £4 each on two houses, and sold subleases of the houses subject to ground rents of £100 each; of other houses in Eaton Place on which ground rents of £10 each were paid to the freeholder, and £30 to £40 each received by the first lessee; and, in the suburbs, of estates where land was in one case let in bulk wholesale at 4s. per foot frontage, to a builder who created improved ground rents of 6s. per foot; and, in another, was let at 4s. per foot frontage, improved ground rents being created by the builder at 8s. per foot.

It might, however, be supposed that although the conditions of building leases allowed a fair return on the land to the builder originally entering into the agreement, they operated injuriously to the investor who purchased the leasehold houses when built. As to this point, Mr. Vigers says the prices stated in the tables on which leaseholds are purchased are calculated to allow of the return of the whole purchase money by the end of the term with proper annual interest, and that "a prudent leaseholder need not suffer 6d. damage at the end of the lease;" also that the owner of the site, being content with a very low rate of interest on the capital value of his land as ground rent, the remainder of the rack rent pays a much higher rate of interest to the purchaser of a leasehold house than if his money had been sunk in purchasing both site and building as a freehold; and he stated that, as a matter of fact, freeholders, in order to obtain this advantage, actually sometimes sell the freehold of properties in their own occupation subject to leases to themselves at an annual ground rent.

Mr. Howard Martin gave instances in which his firm had recently acted for manufacturers in taking leasehold sites on which to build premises for their own occupation. In one case the ground rent was £650, or 4 per cent. on the freehold value of the site, which was upwards of £16,000. In another the ground rent was £266 a year, or 4 per cent. on the freehold value, which was about £6,600. The annual value of the premises paid the lessees more than 6 per cent. on the cost of building, and they made doubtless in ordinary times considerably more than 6 per cent. on the capital employed in their businesses; it was manifestly therefore an important advantage to them not to be obliged to lock up respectively about £16,000 and £7,000 at 4 per cent. in the purchase of the freehold of the sites.

In addition to these advantages which the leasehold system is calculated to afford to leaseholders, a substantial increase in the value of the holding has almost invariably arisen during the terms of building leases of London property the whole of which increase is appropriated by the leaseholder until the lease comes to an end. Among other examples of this increase, Mr. Boodle mentioned a leasehold house in Grosvenor Square which was rebuilt in 1853 subject to a ground rent of £260 a year, at a cost of less than £20,000, and in

1886 33 years of the lease having expired, was sold for £30,000; another in the same square cost £12,000, and long after was sold for £18,000; another costing £18,000 was afterwards sold for £23,000, and again still later for £35,000. He also stated that the smaller new houses in Grosvenor Place cost £11,000 or £12,000 each, and "some that have since been sold realized £15,000 to £18,000, though, of course, the leases become shorter and shorter."

Statements as to the terms of renewals of expired leases, or of the granting of fresh leases of existing buildings were generally connected in the evidence more or less with the question of tradesmen's grievances against the leasehold system which will be referred to hereafter; but it may be convenient in this connection to repeat the statements of witnesses as to the abstract fairness of such renewals and leases. Mr. Gregory stated that on the Foundling Estate were 40 acres of building land on which stood 1,100 houses, the 99 years leases of which are now falling in, and that it was the custom of the Estate to offer the tenants the renewal of their leases from 5 to 15 years before the original leases expired, "calculating the rental at the rateable value of the houses," and giving them credit for their existing leasehold interest. Mr. Garrard said it was the custom of leaseholders of business premises on their terms growing short, if they wished to make improvements or to rebuild, to ask the landlord for an extension of the lease in consideration of the proposed outlay; that a bargain was usually made in such cases, but if not the "tenant takes other premises and the landlord suffers," and that the terms of leases of existing buildings are usually 21 years if there be no outlay on the part of the lessee, increased up to 30 or 40 years if the lessee agrees to expend money on the premises, the increased terms being in proportion to the outlay, to the rent reserved, and to the actual value of the premises. Mr. Boodle said that when premises on the Grosvenor Estate had to be rebuilt at the expiration of a lease, they were always re-let to the tenants "where they were equal to the undertaking," *e.g.*, the upper part of Grosvenor Place, and Mount Street, Duke Street, and the frontage of the Duke's Estate to Oxford Street from Davies Street to the Marble Arch, were all relet to tenants for rebuilding with few exceptions. As regards granting new leases of existing buildings, Mr. Boodle explained it was the custom on the Grosvenor Estate, having ascertained the fair annual value of the premises, to capitalize part of that value for the term of the lease on the 5 per cent. table, and have it paid down as premium, the remainder of the annual value after deducting the part so capitalized being paid as rent; this plan being adopted because though the landlord may get slightly less rent he has a guarantee that the tenant has undertaken responsibilities he can discharge, and the tenant receiving proper discount at 5 per cent. for the rent paid as premium in advance is in no worse position than if he paid his full rent year by year. Mr. Boodle stated that the rents fixed in such new leases were often lower than those actually paid for the same premises by sub-lessees (who were the actual occupiers) to "middlemen."

Mr. Boodle stated that on the Grosvenor Estate 21 years is the usual term for an ordinary repairing lease, or as long as 60 years for a repairing lease with premium, and up to 99 years if the tenant rebuilds.

Mr. Bailey, speaking of the Portland Estate, says the practice is always to grant new leases to the occupying lessees if possible; that long leases are usually renewed within the last seven years, unless the leaseholder wishes to lay out money in enlarging or improving the premises, in which case "reversionary leases up to 99 years can be granted," in order to secure to the leaseholder a return of his outlay. He added that a lessee is always required to either spend money on the premises or to capitalize part of the rent in a premium in order to secure lessees with a substantial interest in

the property, but that the rent is always fixed "with a due allowance for the tenant's premium or expenditure." He stated that renewals are granted in the last seven years of a lease if no tenant's outlay be required, but if a tenant intends to make additions or improvements, as much as 20 or 30 years before the lease expires. Mr. Bourne said, "Lessees are voluntary parties to open contracts. There is no possibility of dealing with your property on lease, unless you do so on terms which are profitable to the parties with whom you are dealing; *i.e.*, the leases must by length of term and amount of rent amply secure the lessees for any outlay they may make." Mr. Dunn, speaking of the Duke of Norfolk's London estate, says all rents on leases are fixed at 10 to 15 per cent. below the market value by the Duke's express instructions, and that the tenants on the estate are able, therefore, to get premiums even for yearly tenancies.

As an example of the terms of a new lease making allowance for the lessee's outlay on improvements, Mr. Howard Martin mentioned terms negotiated by his firm, acting for the tenant, for taking trade premises in the City. The premises were held at £150 a year on lease, with about 6½ years unexpired. The lessee wished to make improvements which cost about £318, and made this outlay, surrendering the unexpired term of the old lease, the landlord granting a new lease at £210 a year for 30 years. The surrender of the old lease, and paying £60 a year more rent for 6½ years before its expiration, is equivalent to a premium of £300; the improvements cost £318, equivalent together to a total premium paid by the tenant of £618, which again is equivalent on the 6 per cent. table to an additional rent of £44 a year for the new term of 30 years. This, added to the actual rent reserved by the new lease of £210, made the total cost to the lessee equivalent to a rent of £255 for the new term of 30 years, and the lessees were advised by their own surveyors that the premises were worth when altered £280 a year; their outlay would therefore be considerably more than repaid to them before their lease expired.

The evidence would appear then to prove that there is nothing in the London leasehold system which, being necessarily injurious to the leaseholder, would tend to show that it is forced on unwilling builders and occupiers by a monopoly of landowners.

Evidence was given by several witnesses as to the difficulty in certain localities experienced by working men in acquiring freeholds. The evidence as to the leasehold system, as specially affecting working men is, however, sufficiently important and interesting to be considered as a distinct branch of the question.

It will be noticed that the evidence previously quoted is limited to the district in and near London.

Mr. Burr described the condition of Lord Haldon's estate at Torquay, and the Mansel Estates at Swansea and elsewhere, and was of opinion that the development of those neighbourhoods had been retarded by the leasehold system. It appeared however that much of the shop property at Torquay, on Lord Haldon's estate was held on leases for terms of three lives, renewable on the lapse of any one life, by a fine of 2 years' rack-rental on receipt of which another life was inserted—a peculiarly vicious form of life leases, because a lessee's rent would always be raised by any improvement he made, while the intervals at which such raisings of his rent would occur would be a matter of absolute uncertainty, and there is no difference of opinion as to the undesirability of leases of this kind. It appeared however that the great difficulty in the development of Torquay arose from the encumbrances on the estate, and the consequent expense and practical impossibility of dealing with it piecemeal on account of the number of trustees and others, whose con-

currence and signatures had to be obtained to every transaction. A private Act having been obtained in order to simplify sales, Mr. Burr stated that he was carrying out on behalf of Lord Haldon, by voluntary arrangement, very extensive sales of the freeholds of the property, mostly to the occupying leaseholders. On the Mansel Estates also, Mr. Burr stated that encumbrances had entirely swallowed up the life tenant's interest, and led to gross neglect and mismanagement of the property. In the case of the Swansea Estate, however, Mr. Burr said that he was able, by making use of the system of building leases, to greatly improve the property and supply the demand of the working men of the neighbourhood for houses for their own occupation, which they purchased as leasehold on 99 years terms at ground-rents of £1 18s. per annum. Mr. Burr pointed out that in such cases Lord Cairn's Settled Land Act is unworkable, because the consent of all encumbrancers being necessary to each sale, sales in numerous lots are often rendered impossible. He summed up his opinions in the statement that what is wanted is to make land saleable to all; for the advantage of the country every man ought to be able to deal in perfect freedom with his own land. This would point to the importance of rendering it easy for a ground landlord to sell his ground-rents and reversions, when circumstances make it desirable he should do so, but does not appear to justify his being forced by law to do so against his will.

Mr. Castle said that in many parts of Oxford the University and Colleges practically monopolized the available building land and let it all on the leasehold system: he stated that before 1858, the colleges had no power to grant more than 40 years leases renewable every 14 years at the option of both parties on payment of a fine, and that these leases did not give proper security to the tenants for a return of their outlay, and worked unfairly in many ways; but after the passing of the University and College Estates Act, in 1858, the terms of new leases were increased to 99 years, which greatly improved the position of the leaseholders, and the quality of their buildings. Mr. Castle did not suggest that the terms of the 99 years' leases were unfair; and the fact that the change was made appears to shew that the builders and occupiers were in a position to make their views and interests as to the terms of their leases effective. Mr. Castle's evidence as to Oxford is a strong proof of the ill effect of too much limiting the powers of landowners to deal with their property, not of the necessity for any fresh interference with their freedom.

Mr. Charles Harrison laid before the Committee a great mass of information intended to show that the system of building leases existed nowhere outside London, except where it had been forced upon the leaseholders by all the available building land being part of settled estates which the owners were powerless to sell; and that in most places landowners were compelled either to sell their land outright or subject to fee farm rents, or to grant 999 years' leases. If, however, this be a fact it would, like Mr. Burr's evidence, tend to show the importance of removing difficulties in the way of sale, so as to give the market freedom of operation, rather than to prove the justice of a forcible interference with future freedom of contract, ard with bargains already entered into. Mr. Harrison put in evidence the tabulated replies received to circulars he had sent to a number of town clerks and solicitors in England and Wales, selected from the law list, to whom he had sent a form of questions as to the tenure of house property in their respective towns and districts. The replies are very various and afford a good deal of interesting and instructive information as to places including 2,000,000 houses and 11,000,000 people; some speak of leasehold and freehold tenure existing side by side, some of leasehold gaining upon

freehold, and others of the leasehold system decidedly assisting in the development of towns by economizing the capital of the builders. In some places we are informed that an attempt to introduce the leasehold system has been made and failed, or has been but partially successful, in others that nothing but freehold tenure (sometimes subject to fee farm rent) or 999 years' leases has been introduced. It is to be observed that in places such as Birmingham or Liverpool, where land is as in London of great value, the leasehold system appears to take a firmer hold than elsewhere; and on the other hand that there is great difficulty in forcing it upon any place in opposition to local customs. Interesting though these returns are they cannot be considered as much addition to the evidence on the question. They are merely the *ex parte* expressions of opinion of a number of gentlemen selected almost at haphazard from the law list, not tested by cross-examination nor affording any opportunity of ascertaining what allowance should be made for the personal bias and interests of the writers. There appeared, too, from the Committee's cross-examination of Mr. Harrison, that there were considerable inconsistencies and inaccuracies in the returns which is not to be wondered at in so great a mass of information so obtained. Moreover, any amount of evidence that the system of building leases is disliked or inapplicable in other places would not appear to justify a forcible interference with it in London in the face of direct evidence that there it is not disliked and is applicable.

It is to be presumed that the Committee will have before it witnesses who can speak from personal experience of the tenure and feeling in provincial towns, and it would be better to withhold an opinion on that part of the question until such direct evidence is obtained.

II. It is alleged that the present system of building leases for 99 years or less injuriously affects the occupiers of buildings by causing them to be badly constructed in the first instance, and badly maintained afterwards, especially towards the end of the leases; and also by increasing the rack rents.

It appears at first sight a very reasonable supposition that a builder on leasehold sites, being aware that at the end of his lease the buildings with the sites will entirely pass away from him to the ground landlord, will build in a much less substantial manner than he would on freehold land; and that for the same reason the owner of a leasehold house will be unwilling to spend any money on maintaining it; these suppositions indeed seem so reasonable as to have led many persons by a very common and easy mental process to pass into the stage of conviction and proclaim these suggestions as undoubted facts without adequate enquiry.

The object of builders is to sell their houses as soon as possible after they are built; and they build accordingly what they think the public will buy. The reversion to the ground landlord 80, 90, or 99 years hence is too remote for him to take it into consideration. A house cannot be built like the celebrated "one hoss shay," to last satisfactorily fit for use for a fixed term, and then suddenly when its time is up dissolve, utterly worn out in all its parts "just as bubbles do when they burst;" and a house built well enough to satisfy the reasonable requirements for comfort and safety of a tenant for the first twenty-one years will be built as well as any one need wish to have it whether on a freehold or leasehold site.

Unless, therefore, the terms on which land is let to builders are of such a nature as to increase the cost to them of their houses, there is no reason why the quality of a house built on a lease for 80 years or upwards should be worse than that of houses on freehold sites. The evidence already quoted clearly shows this is not the case, but that, on the contrary, by avoiding, on the leasehold system, sinking their capital in the purchase of land at a low

rate of interest, builders are able to get a better price for their work, while giving a higher return to the investor who buys them; and that the leasehold system is therefore a direct encouragement to good building. As stated by Mr. Howard Martin, the quality of work depends not on tenure, but on the character of the builder. A bad builder will build merely to sell or mortgage, and will only build as well as he thinks necessary to catch a mortgagee or purchaser. He gave examples of buildings of the worst possible quality on freehold land, and his evidence was amply confirmed by others. Mr. Vigers said as a rule the quality of building on leasehold sites is better than that on freehold, owing to the supervision of the ground landlord; he gave an instance at Beckenham (a place which Mr. Rhodes mentioned as an example of the evils of the leasehold system) where the building on a freehold estate is very inferior to that of the buildings on an estate adjoining, which is all let on building leases; he also mentioned Trollope and Waller and Cubitt as builders whose work was of excellent quality, and mostly on leasehold sites. Colonel Hughes said the builder always builds to sell or get rid of his property as soon as he can. Mr. Tewson said the quality of building work on leasehold sites is usually better than that on freehold; that the interest of the builder is exhausted during the term, and he cannot build on a calculated life of a house, it is impossible for him to say "this brickwork will live 80 years, and just carry on my term, and then become valueless"—he uses that which will best answer his present purpose —*i.e.*, to sell. He stated that the worst class of houses in London and the suburbs is found on freehold land; there is no difference of opinion as to this among practical men, and the cause is partly the want of the supervision and restriction provided by the leasehold system, and partly that occupiers usually take a house without any regard to the quality of the building, and will not pay a higher price or rent for increased expenditure on the quality of the work. Mr. Garrard said the quality of buildings on leasehold sites as a rule is better than that on freehold; and that a poor freeholder often lets his property get into a dreadful state of disrepair for want of money and anyone to look after him. Mr. Garrard mentioned in cross-examination a leasehold property known as St. James's Walk, Clerkenwell, the property of Balliol College, which was in a very bad condition, having got into Chancery and the fag end of the lease having been bought up by a speculator; but this Mr. Garrard considered an exceptional case as (having regard to the notorious effect even on freeholds of getting into Chancery) would seem probable.

Mr. Yates said he did not think there is the slightest difference in the quality of building on the leasehold and freehold systems; and again that he himself would build freehold and leasehold alike, and would not make any difference in the quality of his work whether he put it on freehold or leasehold tenure. Mr. Gatliff said that after 50 years' experience of London buildings generally he thinks leaseholds as well and substantially built in the first instance as freeholds, and kept in as good a state of repair. He also expressed a decided opinion that building leases did not tend to bad building, and that "he would defy a builder to build for a particular number of years;" that if he built to last 90 years he must necessarily build a house of a most substantial character, though a term as short as 20 or 30 years might induce him to scamp his building as much as he could.

Mr. Francis Edwards, speaking of the Evelyn Estate at Deptford, from 30 years' experience, says the leasehold houses are not worse built than they would be on freehold, being fairly built under his supervision and according to his specifications as estate surveyor, and that he devotes one day in every week to survey the buildings in progress.

On the other hand we have the evidence of Mr. Burr that the life lease system (which is universally condemned) at Torquay produced bad building, though the property there held on 99 years' leases was distinctly better; he expressed an opinion that builders would build better still on freehold, but supported his opinion with no examples of the comparison. Mr. Rhodes, who held the same views, was unable to show that the quality of the buildings on the leasehold estates at Beckenham, from which his only practical experience of the question was obtained, actually compared at all unfavourably with work in similar buildings on freehold sites. Mr. Castle said the work in the houses built at Oxford on the old 40 years' leases (which no one upholds) was of the very poorest kind, as the lessees did not feel sufficient confidence in getting a renewal to induce them to build substantially, but that houses built on land held on 99 years' leases were built much better. He thought the bulk of them would have been better still on 999 years' terms, but he could however give no instances by which the comparison could be made. He stated that he did not think houses at Oxford built on the 99 years' leases for the owners' occupation would have been better if built on freehold sites, but those built by speculative builders would have been, instancing a case where he himself bought for his own occupation a house of the latter class and had to spend £500 or £600 in making it what he called a good house, in putting better fittings into it, and better sanitary arrangements, &c. This fact does not, however, much support Mr. Castle's view; there can hardly be a surveyor of any experience of town property who could not give many instances of clients who bought freehold houses for their own occupation of speculative builders with precisely the same experience as Mr. Castle with his leasehold, having to spend considerable sums to bring the fittings and sanitary arrangements up to their own standard of taste, comfort and safety.

Mr. Stockall says the present London system of terminable leases is not conducive to good building because the speculative builder runs up houses which he immediately endeavours to sell, his object being to get rid of his property as quickly as possible; but if he had the hope that he could purchase the freehold at some future time he would build better because, in that case, he would be sacrificing his own future interests if he built badly. This conclusion, however, is not borne out by the fact stated by other witnesses, that whether on leasehold or freehold the speculative builder builds to sell, and provides whatever quality of work the market requires, and never if he can help it locks up his money in keeping any "future interest" in the property. Mr. Stockall, being asked for instances of a comparison of work on freehold and leasehold tenure, fell into the same pit as Mr. Castle, and compared houses built on freehold by owners for their own occupation with leasehold houses built by speculative builders; but there would be no difficulty in making the comparison quite as unfavourable to the speculative builders had their work been also on freehold sites. As, however, Mr. Stockall stated that his benefit society would lend in investing its funds the same proportion of the value (about 5-6ths) on leasehold and on freehold houses, it does not appear that the difference of quality in the opinion of himself and his colleagues is of much practical importance. Mr. John Green stated that in the neighbourhood of Woolwich the quality of the work in freehold houses is much better than in leasehold. He gave some instances of deplorably bad work in leasehold houses which fell down before the leases expired; but these were quite equalled by instances of bad work in freehold houses given by other witnesses; for instance, some freehold houses mentioned by Mr. Howard Martin, the bricks of which were laid in mortar made with the surface mould, with the pebbles in it as it was first dug, the

mortar joints being actually 1¾ inches in thickness. It appeared, moreover, that the freeholder of the houses Mr. Green mentioned was a lawyer who acted as his own surveyor, so that it may be fairly supposed that the full advantage of the supervision afforded by the leasehold system was not secured in that instance.

The balance of evidence then leads to the conclusion that there is bad building both on the leasehold and freehold tenures, but that the quality of the work does not depend on the tenure, and that the ground landlords' interest in and supervision of the buildings tend to and often do secure better speculative work on leasehold than on freehold sites.

As regards the maintenance of leasehold houses during the terms of the leases the evidence is very full. Mr. Vigers and Mr. Howard Martin stated it was obviously the ground landlords' direct interest to enforce the repairing covenants of leases; that this was usually done, and that there was no difficulty in getting reasonable requirements as to repairs carried out. Mr. Howard Martin pointed out, as regards the alleged hardship of a leaseholder doing repairs at the fag end of a lease, that a prudent leaseholder writes off a certain percentage of the rental value of a house for repairs in each year which is as much a part of the regular outgoings as rates and taxes; and that, if this be done, it is no more hardship to spend the proper sum on repairs in the last year of the term than in any other. Mr. Tewson said the repairing covenants of leases were always enforced, and that complaints were numerous that they were enforced too rigidly. Mr. Gregory, speaking from his large experience, not only as a solicitor, but in connection with the London estates of the Foundling Hospital, said there was no difficulty in enforcing repairing covenants, the leaseholders "never raise the question;" also, that the tendency of leasehold was not to "go to the bad" as the interest of the lessee got less, because "the lessor steps in and looks after it.' Mr. Garrard thinks the repairing covenants of leases are certainly fairly enforced both during and at the end of the terms of the leases. In estates under his management he has always made a practice directly leasehold buildings get at all out of order to get them put right. Mr. Cooper says the covenants of leases to repair are enforced both during and at the ends of the terms. Mr. Edwards says leasehold houses, generally speaking, are in good order. Every now and then steps are taken by the ground landlord's representative to see that they are kept in repair. Mr. Bourne generally finds the repairing covenants of leases on the Bedford Estate fulfilled to a "reasonable degree," and very seldom finds leaseholders prefer to surrender fag ends of leases rather than fulfil repairing covenants. A good many examples, enabling comparison to be made between the maintenance of freehold and leasehold houses, were mentioned by witnesses. Mr Bailey pointed out the difference between the condition of the houses in Soho, which were sold freehold by the Duke of Portland many years ago, and the similar leasehold houses on the Portland Estate adjoining. Mr. Bourne gave similar instances on the Bedford Estate, among others Maiden Lane, part of the houses in which are freehold and part leasehold, the leasehold being easily distinguishable by their superior condition. An instance also was mentioned by Mr. Howard Martin, of four freehold houses in Martlett's Court, near Covent Garden, which were conspicuous for the inferiority of their condition to that of the leasehold houses on both sides of them. He also mentioned the block of property between Catherine Street Russell Street and Drury Lane on the east and west, and Long Acre and the Strand on the north and south, a part of which consists of leasehold houses on the Bedford Estate, which have been maintained in excellent condition under the supervision of the ground landlord's representative, while another

part is freehold and is in a deplorably dilapidated and insanitary state. Mr. Burr said that when he took over the management of a heavily-encumbered estate at Swansea, he found the leasehold houses in bad order, but that he at once took steps to enforce the repairing covenants, and all but one of the lessees complied at once; and he also stated that he found leasehold and freehold cottages in equally bad condition in the hands of middlemen. Mr. Castle said, from the experience acquired in surveys of dilapidations, he considered that the leasehold system tended to a bad state of repair; but he apparently drew his illustrations from the old and now abandoned 40 years' terms at Oxford, which are admittedly too short to provide proper security for the builder, and therefore to the leaseholder to whom he sells.

Mr. Harrison mentioned some leasehold church property in Soho, which was or had been maintained in a scandalously bad condition; it appeared, however, that it was in a notoriously bad neighbourhood, and that he was unable to say positively that the patches of freehold property surrounding the leasehold estate were not in as bad a condition, adding, "I am speaking from the result of having read the evidence given before the Royal Commission on the housing of the working classes," and that "he finds the worst class of the property there described is that which is built upon the leasehold and not upon the freehold portion." It has, however, been very clearly proved by other witnesses that the Royal Commission took no pains to discriminate between leasehold and freehold property, and that some of the worst properties mentioned in its report are, as a matter of fact, freehold. As, therefore, Mr. Harrison's opinion is avowedly based not on practical knowledge, but on an erroneous statement of facts by other persons, it is impossible it should have the weight which would otherwise attach to the opinion of a solicitor of his standing. It would naturally be supposed as it is the interest of ground landlords that the property on which their ground rents and reversions are secured should be well maintained, and as they have the power to protect their interests in this particular, that houses held on building leases would usually be better maintained because of the exercise of the ground landlord's powers than freeholds (especially in the case of small property), and the balance of evidence shows that the tendency of the system is, as a matter of fact, in this direction.

The allegation that the system of building leases increases the rack rents paid by occupiers does not appear to be supported by the evidence. It has been shown by the evidence previously quoted, that speaking generally of London and the suburbs, there is always sufficient freehold property in the market to prevent prices or rents being fixed exclusively by the operation of the leasehold system, and that the leasehold system, by reducing the expenses and economizing the capital of builders, actually increases the supply of houses and diminishes their cost, and must therefore tend to reduce instead of to increase rack rentals. This indeed is confirmed by the fact observable by anyone acquainted with London and its suburbs, viz., that the building of new houses there has for some years largely exceeded the demand, and that thousands of houses are standing unoccupied in consequence. The evidence as to the existence of freeholds in and about London has already been quoted at sufficient length. As regards the effect of the leasehold system on the supply of houses, Mr. Garrard gave an instance of a leasehold building estate near Finsbury Park, of which a part was covered, before the panic in 1866, and the remainder then thrown on the owners' hands. On the revival of business 220 acres of it was let on building agreements in plots of from 1 to 25 acres to 35 builders, who built 1,500 houses,

most of which were bought by lessees for their own occupation; and he contrasted this with a freehold building estate of 50 acres at Kilburn, which was in the market in 1852 and is not fully covered to this day; plots having been sold to various owners over whom no proper control can be exercised, the roads have not been kept up, and the buildings that have been erected are unsuitable; while a leasehold estate adjoining which was not put into the market until several years later is now covered with good houses. He also said that on the leasehold system you get houses of good character erected in the cheapest possible way, because the builder pays nothing for the land to begin with. Mr. Vigers said there is a great saving of expense in capital outlay and working expenses in the system of letting land on building agreements to builders in large blocks; and that the leasehold system provided houses for the convenience of the public in a way that no other tenure could provide for it. Mr. Tewson said (speaking from experience probably unrivalled as to that point) that the present supply of houses exceeds the demand all round London. Mr. Cooper, a builder hostile to the leasehold system, thinks it would tend to stop building if builders should be prevented taking land for an annual payment (instead of paying the freehold price for it) and again "that speculative builders could not command the capital to buy the freehold sites. Doing away with the power of leasing would stop speculative builders, but that there would be builders enough left with capital to supply the demand" (tolerably conclusive evidence of the advantage in rents and prices to the occupier caused by the leasehold system which lets the speculative builder into the competition). Mr. Castle says the power of taking land at a rental affords great facilities for developing building land, and great convenience to the building trade. Mr. Farrant, whose company has built 4,440 houses, and is now building some large blocks of labourers' dwellings says, "Our experience is, it is more advantageous to build costly buildings on leasehold than on freehold tenure." Mr. Gatliff says, "If the terms are fair, it is immaterial whether the property is leasehold or freehold." Indeed the witnesses on both sides are practically agreed that the number of houses actually built and put into the market is increased by the leasehold system, excepting Mr. Yates, a builder in South London, who expressed an opinion that the leasehold system raised rack rents, because fewer houses were built under it, the expenses of developing land on that system being greater; and the supply being less and the demand the same the rack rents therefore were raised; but as he afterwards admitted that in many parts of London there is a competition for tenants among landlords, and rather a glut of houses, it is probable that this was not a carefully considered opinion. Mr. Rhodes stated his opinion that the development of Beckenham had been retarded by the fact that the greater part of the building land in that place had been let on building leases. As, however, he stated that the population of that place had increased between 1861 and 1886 from 3,199 to about 18,000, and from 13,000 to about 18,000 between 1881 and 1886 (a period of considerable depression in house property) it seems improbable that this opinion is correct; especially when it is remembered that it is stated in the evidence of Mr. Vigers and Mr. Cooper that the leasehold houses at Beckenham are well-built and the estates well managed, and that Beckenham, like most similar suburbs, has been actually suffering for some time past rather from over-building than from any want of sites or houses.

It would appear then that so far as the relation of the supply to the demand of houses goes, the effect of the building leasehold system is to reduce rather than raise rack rents; but it is alleged that it nevertheless does tend to increase rents, because the expenses of builders and the interest they pay for advances are higher in building on leasehold than they would be on freehold

sites. A builder purchasing freehold land would have the expenses of investigating the title and of the conveyance, and, if he borrow money with which to build, the cost of a mortgage; and for every house he sells expenses of the kind have to be incurred again. Mr. Garrard and Mr. Howard Martin stated what are the usual costs in covering a leasehold estate. The builder takes a building agreement, the cost of which is usually small, and need incur no other legal expense till his houses are finished, when the leases are granted; and then, if he be lucky enough to sell his houses, he has the leases granted direct to the purchasers, who pay for them. So keen, owing to the quantity of building land in the market, has grown the competition among landowners, especially on suburban estates, that in order to let their land to good builders, it has become the custom to make special agreements as to the cost of building agreements and leases, and to cut them down to merely nominal amounts; in many cases, indeed, as in that of the Swansea Estate mentioned by Mr. Burr, the leases are merely a printed form filled up for each lessee as may be required, for which a very trifling charge is made. A similar arrangement is usually made as to the surveyor's fees.

As regards the comparative rates paid by builders for advances on leasehold and freehold buildings, there is some conflict of evidence; but it must be remembered that inasmuch as there is a higher return on the capital employed by the builders and less expense, in leasehold than in freehold building, they can afford to pay more for loans on leasehold work without raising the rents or prices of the buildings. Moreover, a very large proportion of ground landlords are willing themselves for the sake of letting their land to good builders to make advances at a moderate rate to assist in securing their own ground rents; and in those cases of course the builder on leasehold is far more easily and cheaply "financed" than the builder on freehold, who has to seek an independent mortgagee. Mr. Holmes stated that the Friendly Societies of London invested very large sums in mortgages, and that the interest charged, other things being equal, was not lower on freehold than on leasehold securities. Mr. Garrard also says money can be borrowed by builders as cheaply on leaseholds as on freeholds.

Mr. Rhodes was of opinion that the leasehold system tends to increase rack rents because the sinking fund to recoup the lessee at the end of the lease for the reversion of his holding must be provided out of the rent; but it has already been shown that this is an error, inasmuch as the ground rent is fixed at such a rate as to allow for the sinking fund being created out of it, even then leaving a higher return for the builder than he would get on freehold. Competition into which freeholds largely enter fixes the rents at the market rates, and the incidence of the sinking fund is a question of apportionment between the lessee and the ground landlord; the latter receiving on his capital in the site so low a rate of interest that the remainder is sufficient both for sinking fund and leaseholder's profits. Mr. Rhodes, Mr. Cooper, and Mr. Yates agreed that builders had to pay 1 per cent. more for advances on leasehold than on freehold buildings, and thought the rack rents of leaseholds were increased in consequence of this; but, apart from the question of comparative expenses, it is clear that the prices and rents of houses would be regulated by those who borrow cheapest; and this extra percentage (if any) would come not out of the pocket of the occupier, but of the over speculative or impecunious builder who is forced to pay it. Indeed Mr. Yates himself added, that competition fixes rents, and will regulate the price a builder can get from an occupier, and again that "In the suburbs rents are regulated by the competition for tenants among the house property owners." Mr. Bourne says, that tenure does not affect the rent paid by the occupiers in the slightest

degree—that they pay the rent per house or per room fixed by the state of the market in that particular locality. Mr. Tewson says the building tenure has no effect on rack rents. Competition both between occupiers and between the leasehold and freehold systems fixes the rents of premises. Mr. Garrard says the rent ultimately paid by the occupier is not at all affected by the question of tenure; Mr. Vigers says that rents are not increased by the leasehold system; Mr. Gatliff (whose experience of the rents paid by working-men for their dwellings is very large) is of opinion that the leasehold tenure does not affect the rents paid by the actual occupiers, but thinks it enables the provision of dwellings to proceed more quickly than would be possible on the freehold system. There is, therefore, a strong preponderance of evidence given by gentlemen who have wide opportunities of comparing the actual rentals of freehold and leasehold buildings, that, as a matter of fact, the tenure of the sites is found to make no difference in the rents paid by the actual occupiers, which confirms the conclusions which would be naturally drawn from the evidence as to the competing supply of freeholds, and also as to the effect of the leasehold system in increasing the supply of houses, and reducing the expenses and simplyfying the operations of builders.

III. It is alleged that the leasehold system enabled lessors to appropriate to themselves at the expiration of leases the outlay of leaseholders, especially tradesmen, on permanent improvements, and also in many cases the value of the goodwill of their businesses; and that the system thus restricted trade by causing waste of the capital of traders and hindering their providing proper accommodation for themselves.

The evidence already given has made it clear that it does not follow because a tradesmen or other leaseholder spends money in alterations or additions to his holding, which will remain the property of his landlord at the expiration of his lease, that therefore he suffers any injustice. It has been proved that the terms of a lease may be so adjusted that whatever the tenant's outlay, he may be repaid for it by the end of his lease by the difference between the reduced rent he actually pays and the full rack rental value of his holding. Instances of this have already been quoted from the evidence, but it may be well to add the statements of the principal witnesses as to the mode of arranging the terms of the renewals of tradesmen's leases. Mr. Boodle said that on the Grosvenor estate it was the custom to grant renewals of leases to the actual occupiers wherever possible, that the rents charged for such renewals were frequently lower than those previously paid by the occupiers to intermediate lessees, and that the tenants are never made to pay an increased rental on account of unexhausted improvements or their goodwill. Mr. Bailey says the practice on the Portland estate is always to grant renewals of leases to the occupying lessees if competent persons, and not to middlemen, and never to make any increase of rent in respect of the tenants' goodwill; that he has never come across a case of a freeholder seeking to charge a tenant for his goodwill, and that in fixing the rent on a renewal of a lease he would not take into account any improvements made by the tenant in the last 14 or 15 years of his tenancy. Mr. Bourne said the renewals of leases on the Bedford estate are always offered to the occupying leaseholders if possible. Mr. Dunn, the surveyor of the London estate of the Duke of Norfolk says no advantage is ever taken in fixing the rents for renewals of leases, of the special circumstances of tenants.

Mr. Tewson said, in valuing for renewals of leases, the rent is put at the fair value of the premises, never taking into account the value of the tenants' goodwill; also that it is the custom for leaseholders to apply for

renewals before their leases expire, and if they cannot get terms which they consider fair, to remove their businesses to other premises before the lease expires, keeping their former premises shut-up meanwhile, adding "very little goodwill attaches to premises *per se*," especially "after they have been shut up for a twelvemonth." Mr. Howard Martin said it was not in his experience a usual thing in granting to shopkeepers renewals of their leases to add anything to the fair rental value of the premises on account of the value of their goodwill, and he pointed out that in London and the suburbs the conditions of shop property have changed in a way which tends to destroy the landlord's power to do so. There was a time when shop fronts in the Strand, Fleet Street, Holborn, and Oxford Street, had a very special value because of the number of City men who passed them on their way to and from business, but the making of the Metropolitan Railway and the Thames Embankment and the suburban railways by which many persons now travel from their houses into the City has materially affected the value of those situations; moreover, suburban shops are much better and cheaper than they used to be, and ladies instead of feeling bound to go to a particular neighbourhood, now, assisted by the increased ease of communication, "shop" where they find they are suited, and will go after special tradesmen to Bayswater, or Brixton, or Tottenham Court Road, as the case may be. In his opinion, landlords were far too anxious to secure good tenants for shops to run any risk of losing them by insisting on unfair terms, and he stated as an example of the ease with which shops might be taken if wanted, that 5 per cent. of the shops in Fleet Street had been in the market and changed hands within three years.

Mr. Vigers and Mr. Garrard both said that landlords did not so raise rents on renewals as to confiscate tenants' goodwill, that a tenant as a lease draws near its close, has the opportunity of going elsewhere, and the terms of renewals if the tenant remains are only the fair open market value of the premises. The question whether a tenant who leaves his premises at the termination of his lease after having spent money in alterations or additions, suffers injustice which should be redressed by forcing the landlord to pay him for the unexhausted value of such improvements, was fully discussed by several of the witnesses. It was pointed out that rents charged for property vary inversely with the security of the income from 3½ per cent. for money invested in the best ground rents to a nominal 8, 9, or 10 per cent. on money invested in weekly property where the rents are uncertain; and that if a landlord's return on his investment is made uncertain by his becoming liable to compulsory payments to his tenants for money spent in works over which the landlord had no control, and which might not improve the letting value of the property, rents must be raised to cover the risk. Moreover, it was also pointed out that being forced to make such compensation would in many cases cause great hardship to persons of small means who had invested their savings in shop property, and might be quite unable to find the money to meet claims made by their leaseholders. Mr. Tewson said such an arrangement would be unjust unless a matter of free agreement; a tenant often makes costly alterations or additions, which he calls improvements but which may be no improvements, and forcing the landlord to pay for them might ruin him; for instance, a special shop front put in by a leaseholder for his particular business may be valueless to his successor, and it would be most unjust to force the landlord to pay for it; also that the individual cases of hardship which might arise were much more likely to do so in the cases of short leases than of those which the present proposals for leasehold enfranchisement would effect. Mr. Castle said that if a landlord were forced to pay for tenants' improve-

ments "that would at once settle the leasehold system," as the landlord would never grant leases with such a liability, and would probably sell outright at once; a very strong testimony to the depreciation of the value of real property which would be caused by such a measure. Mr. Bailey said it would be very improper to force a landlord to pay for improvements made without his consent; that many substantial alterations of leasehold property were so made, and that it would be difficult to decide whether they were improvements or not. Mr. Bourne pointed out that tenants' alterations were frequently not improvements from the point of view of a successor or landlord, giving instances of the conversion of leasehold dwelling-houses into a club, which failed; of forming a large auction room in a leasehold house, which failed; of throwing rooms together in a small house to form a large schoolroom, which was useless for succeeding tenants; and he pointed out (what it is important should be borne in mind) that repairs are not improvements, and that in spending money on substantial repairs at the end of a lease the tenant is not improving his landlord's property, but restoring it to the condition in which it ought to have been kept during the term. On the other hand, Mr. Rhodes thinks the risk of having to pay an increased rent at the end of their leases deters tradesmen from developing their trades on the best lines; this objection, however, must surely apply more forcibly to the short leases it is not proposed to interfere with, than to the long leases it is proposed to "enfranchise," as Mr. Platt, another strong opponent of the leasehold system, frankly admitted. Mr. Stockall says there are hundreds of cases of rents raised on renewals by the value of the tenants' goodwill, especially those of leases for terms of from 60 to 99 years; but he was unable to give any instances, and though he professed his ability to give a list of a dozen or more cases to the Committee within two days, nothing more was heard from him on the subject, though the Committee continued its sittings for nearly six weeks afterwards; it would appear, therefore, that the grounds for this assertion were not very substantial. The other assailants of the leasehold system, however, did not rest their case against it on mere opinion, but came prepared with examples of alleged actual injury sustained by tradesmen leaseholders in connection with the renewal of their leases.

Mr. Stevens, a baker, carrying on business at 124, Theobald's Road, stated that he and his father had occupied the same premises for 40 years, the original lease having been for 7 years at a rent of £50, at the end of which a new 21 years' lease was granted at the same rent, with a premium of £150; and at the expiration of this, another 14 years' lease was granted at a rent of £65, the lessee having to lay out £200 "on the premises." It appeared, however, in cross-examination, that the £200 was not spent on improvements, but in making good dilapidations to comply with the covenants of the lease; in other words, that he spent in one sum at the end of his term what he ought to have spent or set aside year by year during its course, and this cannot be considered any addition to the consideration received by the landlord for the renewal. Mr. Stevens is of opinion that the whole of the increase of rent was charged solely on account of the valuable goodwill created by the energy and ability of himself and his father, and states that when his family took the place the neighbouring "shops were comparatively valueless," and says that though Theobald's Road, which was then a very narrow road, has now become a main thoroughfare of London, there has been no improvement in the value of shop property in it because small occupiers have been driven out of the neighbourhood. It would appear probable, however, that an increase from a rent of £50 to £65 per annum in 40 years

(the increase Mr. Stevens had to pay) is by no means more than is due to the increase in actual value of the premises during that time; but if Mr. Stevens be right as to the small value of this and the neighbouring shops, there cannot have been much difficulty in his finding other premises had he been dissatisfied with the terms of his lease; and by the simple expedient of moving a short time before his lease expired, and keeping his former shop shut up, he could easily have transferred his goodwill to new premises, especially as the connection of a baker is of a much more personal character than that of many trades. It is by no means clear, therefore, that Mr. Stevens had any reasonable ground for complaint Mr. Platt stated that he finds the conditions under which renewals of leases are obtained quite altered; tenants are not now considered by the landlord, and have to pay for renewals of their leases just such a full price as any stranger outside, and a stranger will pay a higher price for premises in which a good business has been done, in the hope of securing the goodwill of the former occupier. He gave an instance of premises in Piccadilly, which had been in the occupation of the family of the present tenant 100 years, for which the Crown Surveyor is now asking a great increase of rent; but Mr. Platt admitted, in cross-examination, that the rent asked was "not outside the value of the property" at the present time, and that therefore the Crown Surveyor only asked the market value of the premises, to which his clients were fully entitled. Mr. Platt also gave examples of the hardships of leaseholders on the Duke of Norfolk's London Estate. He stated that the Duke will not renew any leases unless it answers his purpose for estate purposes because the houses want pulling down, that he then offers the leaseholders 80 years' leases, and "lends them the money at 5 per cent. to rebuild with," and Mr. Platt considers it a "droll thing" for a ground landlord to lend a man money to build a house of which, at the end of 80 years, the ground landlord is going to take possession without giving back to the builder, who would have to repay the money lent, any of the cost—the ground-rent charged "being as much or more than the site is worth." Mr. Platt here mixes up entirely independent transactions, viz., taking a building lease, and raising money with which to build. The terms of 80 years' rebuilding leases should allow in the rate of ground-rent for the reversion to the ground-landlord at the end of the term of the new building to be erected without loss to the lessee; if they do so, the reversion is no hardship to him; but in any event it cannot but be an advantage to a rebuilding lessee who is compelled to borrow, that the ground landlord should find him the money for the rebuilding; and he has no more right to expect not to repay such advances to his ground landlord than to any other mortgagee. It happened, however, that the Committee was able to obtain from Mr. Dunn, the surveyor of the Duke's estate, the actual facts as to these arrangements. He stated that the ground-rents asked and obtained by the Duke are considerably less than those paid for similarly situated land outside the estate, and that it is sometimes the practice of the Duke to advance money to enable his lessees to rebuild, for which he generally charged them 4 per cent. interest. It appears, therefore, that the lessees' have very good reason to enjoy the "drollery" Mr. Platt sees in these transactions.

Mr. Platt also mentioned another case of alleged hardship on the same estate—that of a tenant who, he said, gave £1,500 five years ago for the goodwill of a business, making sure of a renewal, the rent being then £90 a year; the Duke now refusing to grant a lease, and asking a rent of £260 a year. The same leaseholder, Mr. Platt stated, has three houses in the same street, and the rent has been raised, on the expiry of the leases, from £270 to £685. Mr. Dunn was again able to give his version of this story. He states

that the lease in question (originally for 31 years) of a house used as a private hotel, containing 20 bedrooms, at a rent of £90 a year, was sold by auction towards the close of 1881 as a "going concern," and that numerous inquirers were then informed at the estate office that the lease would not be renewed when it expired in about five years' time. The lease was bought for £1,500, and resold by the purchaser to the present occupier (a lady) for £150 profit. On the expiry of the term she remained as tenant, paying £265 a year, the house being fully worth £300 a year in the open market, and still carries on business there herself. A new lease could not be granted because the houses were old and dilapidated, and are intended to be pulled down to widen the street; but she still retains the trade and goodwill, and, if the house were pulled down, would have the opportunity of either moving her goodwill elsewhere or taking a rebuilding lease near the old site. As regards her other houses mentioned, according to Mr. Dunn, she was never the leaseholder of them at all—the 31 years' lease of one was held by a Mr. Dickens, and on its expiry his rent was raised to £225. About 18 months afterwards the lady referred to by Mr. Platt took the house at the new rent, asking to become a yearly tenant in Mr. Dickens' place. It was untrue, therefore, that her rent for that house had been raised; and the rent actually charged was 10 or 15 per cent. below the market rate, as are all the rents on the estate, by the Duke's express instructions.

Mr. Platt also mentioned two cases of alleged hardship on the Duke of Westminster's estate—one that of a chemist who acquired an underlease of premises in Duke Street in 1871, expiring in March, 1887, "in the full confidence" the lease would be renewed. Mr. Platt said that the renewal was refused because the house would have to be pulled down and rebuilt as part of a general scheme of improvements, and that, in spite of his offer to rebuild himself if he were granted a lease, he was turned out, and the Duke "did not scruple to confiscate" his interest in his business. The other was that of a small tailor who, Mr. Platt said, had occupied premises in Mount Street for 50 years, and on the expiration of his lease in 1886 was offered a lease for eight years, the property being required to be pulled down for improvements after that time, on condition he paid a premium and put the premises into repair; and on his replying that he was unable to pay a premium, and offering an advanced rent instead, he was "ejected like an Irish peasant." Mr. Boodle, however, who actually acted as the Duke's agent in these transactions, gave an entirely different account of them. He stated that, as regards the case of the chemist (Mr. Armbrecht), he never applied at the estate office for information as to the prospect of obtaining a renewal of the lease before taking an underlease of the premises in question, and that it was never intended to renew the lease, which had been granted for a term of 16 years, expressly that it might fall in with others, and allow of a whole block of buildings being pulled down, to widen the street and render back land available for the erection of dwellings for the working classes. Mr. Boodle said that the house itself was not fit to stand, and that Mr. Armbrecht on applying for a site for a shop elsewhere on the 30th October, 1885, stated in writing that his present premises were too small for his business, and in a subsequent letter dated 22nd May, 1886, added that he required a roomy dwelling-house and shop at least 100 feet deep, the whole extent of the entire plot on which the house in question stood being only about 66 feet by 18 feet, and thus on his own showing being quite unsuitable for his purpose. Mr. Boodle afterwards offered him a temporary tenancy of No. 3, Duke Street, in the hope that in a year or two it might be possible to find him a suitable site when the other side of the street was rebuilt (which it is still intended to do for him if possible); but this being declined he took No. 2,

Duke Street, which was not in the Duke's hands, and is still carrying on his business there. Mr. Boodle sums up the case by saying that Mr. Armbrecht never had any claim to be allowed to rebuild on his old site, which according to his letters was far too small; that to have allowed him to do so would have spoiled a plan long formed for widening the street and improving working men's dwellings; that he was offered the only other house in the street in the Duke's hands, and actually did take another one in the same street, where he is now carrying on his business, so that his goodwill cannot have been injured, and certainly not "confiscated" by the Duke, more especially as his old premises are already pulled down.

As regards the tailor in Mount Street, whose name is Ogle, Mr. Boodle showed that he never was the Duke's tenant, but occupied part of a house let in lodgings; that it had been intended for a long time to pull down this house on the expiry of the lease in 1886; but it became possible to renew the lease for 8 years so that the rebuilding might be included with other property in a comprehensive scheme; that Ogle who had asked for a lease was then offered one for that term (8 years), the annual value being fixed at £90 —£40 per annum of which was to be paid as rent and £50 per annum discounted on the 5 per cent. table and paid down as premium amounting to £320. On Mr. Ogle saying that he could not pay a premium and offering increased rent instead, the premium was reduced to £200; but Mr. Ogle declined these terms and the premium was then paid and the lease taken by the "Couriers' Society," Ogle remaining their tenant and carrying on his business in the same house as before. Mr. Boodle explained that it is the invariable custom of the Estate to discount part of the rent on short leases in premiums as some guarantee of the lessees ability to fulfil the covenants of the lease, and that if Mr. Ogle was unable to comply with this requirement, he was not financially in a position to take the responsibility of a lease of a house with £90 a year. It is evidently therefore quite incorrect to say he lost his goodwill or was ejected, whether "like an Irish peasant" or otherwise; and as a matter of fact Ogle wrote a letter thanking Mr. Boodle for keeping the offer of the lease open for him so long.

Mr. Toogood, a member of a firm of druggists' sundriesmen, formerly leaseholders of Nos. 35, 36, and 37, Mount Street, gave evidence as to what he considered bad treatment from Mr. Boodle in the terms of a short renewal of his firm's lease of these premises, and in breaking a promise to find the firm a site on which to rebuild their premises which were to be pulled down. Mr. Boodle however denied that there was any ground for this complaint, and as he produced evidence that Mr. Toogood's statements were inaccurate in almost every particular it is impossible to attach much weight to them.

The Leasehold Enfranchisement Association had been actively engaged in preparing evidence for the Committee, and it came out in evidence that Mr. Platt had actually been advertising for tenants' grievances. It may be supposed therefore that the cases presented were the most effective that could be found, and as no cause of complaint was substantiated, and most of the cases completely broke down, the conclusion can hardly be avoided that there is little or no genuine hardship of the kind suggested, still less was it proved that there is sufficient to justify any interference in the system of building leases, more especially because (as Mr. Platt himself admitted) it is much more likely that "mischief will be done or injury be caused" on short than on long leases.

The fact is, that it is absolutely essential to trade that tradesmen should be able to hire the premises they occupy. Few have the money to buy, or if they had, could afford to sink it in buying them as freeholds; if they

bought and raised the money by mortgage, they would be under the same liability as regards repairs as a leaseholder, and would have incurred a debt liable to be called in at longer or shorter intervals and most likely to be called in on the occasion of a fall of values such as the present, at the very time when it would be most difficult and inconvenient to pay it off. But if persons are to be found willing to invest their money in premises to be hired by others, they must have whatever security the open market can give them for a proper return for their capital. As has been already said, with reference to compensation for tenants' improvements, if the landlord's return be made insecure by giving the tenants a right to a renewal, two things must happen—the rent in future lettings would rise to cover the additional risk, and the selling value of premises already let would fall indefinitely, while there is no evidence whatever that a tradesmen's goodwill is so much attached to his premises, or that there is so much difficulty in obtaining new ones, as to prevent his negotiating with his landlord on perfectly equal terms.

IV.—It is alleged that the leasehold system is directly injurious to the working classes, by acting as a principal cause of a bad state of repair and sanitary condition of the tenements they occupy, and by raising the rents they pay; and indirectly, by hindering thrift and the proper investment of their savings; and that leasehold enfranchisement would remove, or tend to remove, these evils.

In the evidence as to the direct effect of the leasehold system on the dwellings of the poor, very frequent reference was made to the evidence taken by the Royal Commission for inquiring into the housing of the working classes, and to a supplementary report signed by 10 of its 17 members, viz. :—Cardinal Manning, Lord Carrington, Sir George Harrison, Mr. Lyulph Stanley, Mr. E. Dwyer Gray, Mr. William Torrens, Mr. Broadhurst, Mr. Jesse Collings, Mr. George Godwin, and Mr. Samuel Morley. Evidence was given by several witnesses before this Royal Commission, proving that many of the habitations of the poor, not only in London, but throughout the country, were in a most deplorable condition, both for want of repair, from overcrowding, and the absence of sanitary arrangements; and it was stated by some of the witnesses that the custom of leasing such property to middlemen, who sublet it to the actual occupiers on weekly rents, and altogether failed to fulfil their obligations as to repairs, was one of the causes of this state of affairs. Lord William Compton gave evidence as to the state of the leasehold property on the Clerkenwell estate of his father the Marquis of Northampton, and Mr. Boodle the Marquis's agent explained to the Commission some of the difficulties he had experienced in dealing with middlemen leaseholders on that estate, though as he has since himself explained, he did not intend to, and indeed did not, say anything to convey the impression that without the supervision of the ground landlord their treatment of the property they held would not have been much worse. Other witnesses expressed opinions adverse to the working of the leasehold system generally; but no attempt seems to have been made to institute any comparison between dwellings held on building leases and those held on short terms of less than 21 years (not building leases at all) by middlemen, nor even between freeholds let direct to the occupiers and leaseholds, and it has since been proved that some of the examples in London mentioned to the Commission were actually freehold, and, according to the Commissioners' own report, the state of the freehold cottages in rural districts, where building leases are unknown, was deplorably bad. In spite, however, of the insufficient character of the evidence before them the members of the Commission previously mentioned jumped at the conclusion that the "system of building on leasehold land is a great cause of the evils connected with overcrowding unsanitary buildings and excessive rents," is

conducive to "bad building, deterioration of property towards the close of the lease, and to want of interest on the part of the occupier in the house he inhabits;" and that "legislation favourable to the acquisition on equitable terms of the freehold interest by the leaseholder would greatly conduce to the improvement of the dwellings of the people of this country," thus decisively pronouncing in favour of leasehold enfranchisement:—and issued a supplementary report to that effect. It is very much to be regretted, whether this conclusion be right or wrong, that it should have been formally adopted by gentlemen in the responsible position of Royal Commissioners on evidence so insufficient and received in a manner so indiscriminating; fortunately, however, the evidence now under consideration gives ample material for a sound conclusion. There is one point as to which no evidence, nothing indeed but a little previous knowledge of the subject, is required to show the illogical character of their supplementary report, viz., that which ascribes the "evils connected with overcrowding" to the system of building on leasehold land. The powers reserved to a ground landlord by a lease are and ought to be merely those that are required to preserve the value of his interest in the property, such as the keeping it in proper repair, and certain limited and definite restrictions on the user. The regulation of the number of occupiers of houses is a purely sanitary matter, regulated by sanitary laws which local authorities are specially charged to carry out. It is their failure to do their duty (as the very report of this Commission itself points out) which is the main cause of the evils arising from over-crowding; and it would be as unreasonable to make the system of building houses on leasehold land responsible for the breach by occupiers of sanitary laws as to over-crowding, as to blame an aneroid barometer because it would not tell the hour. To give a ground landlord the power to regulate the conduct of the occupiers of leasehold houses held of him, apart from their fulfilment of the covenants of the leases as to the preservation of the value of his interest, would be to establish an inquisitorial tyranny which would not be endured for a moment; and it would be as reasonable to charge him with enforcing the laws as to vaccination as those as to overcrowding. Nothing is more clearly proved by the evidence than that whatever may be the faults of the building lease system it has in a marked degree facilitated the rapid provision of dwellings for the increasing working population of London and the suburbs, and therefore so far as it has affected "the evils caused by over-crowding" at all, it must have tended to diminish them. It is not surprising that Mr. Farrant and Mr. Gatliff, after long experience in the work of providing dwellings for the working classes say, the one that he does not "agree with the Royal Commission's denunciation of the prevailing system of building leases," the other that he does not concur in the opinion of the Commissioners that the leasehold building system is the cause of over-crowding, unsanitary buildings, and excessive rents.

As regards the effect of the leasehold building system on the structural and sanitary condition of the houses of the working classes, it was pointed out by Mr. Boodle that one great cause of the insanitary arrangement of buildings was the formation of "courts" and "alleys" in what were the back gardens of older houses; and that, although the covenants of old building leases contained no power to prevent this, they could not be said in any sense to cause it, because there would be much more inducement to a freeholder to invest his money in such additional buildings than to a holder of a terminable lease; and it was infinitely easier and cheaper in the case of leaseholds to remedy this evil when the leases fell in, and to remove the objectionable houses, than it was to make a similar improvement of freehold property. Mr. Vigers

was able to give the Committee the means of comparing the condition of similar London freehold and leasehold tenement property. He produced plans of 21 sites cleared by the Metropolitan Board of Works under the Artizans' Dwellings Act, in the purchase of which he acted as surveyor for the Board. The difficulty of acquiring the sites was caused by the large number of freeholders. On the 21 sites there were 1,022 freehold houses; of these 463 were let direct to the occupiers by the freeholder, and 559 had leases upon them. It was his experience that the houses in leasehold districts are better than those where there are many small freeholds, the leasehold property being under supervision does not get into such a very bad state, as it does when in the hands of very small freeholders. Again, he says that leasehold working-class dwellings in his experience do not tend to become any worse towards the end of the term than freeholds, and that in the case of the sites in question it was the freeholds themselves which, by their deterioration, had spoiled the neighbourhoods. Mr. Tewson said the enforcing by the ground landlords of the repairing covenants of building leases causes leasehold dwellings of working people to be better kept as a rule than those held by them direct from the freeholders. Mr. Boodle stated that overcrowding, insanitary buildings, and excessive rents, prevail more among small freehold tenement property than among building leaseholds on a large estate, and gave as an example the freehold tenements in Robert Street Commercial Road Pimlico—just outside the boundaries of the Grosvenor Estate. Mr. Moore said the building leasehold system was not the cause of existing evils in the state of working men's dwellings, and that those evils would probably have been much greater if all the immediate owners of such properties had been freeholders unsupervised by the ground landlord. Mr. Howard Martin stated that in his experience the state of repair and condition generally of tenement and cottage property did not depend upon tenure; but so far as it was affected by it, as a rule the repairing covenants of the leases caused leaseholds of that class to be better maintained than freeholds. He said that in order to test the statements that had been made on the subject he had surveyed 1,250 houses in 142 different streets and courts, of which 720 were leasehold and 530 freehold; that the average condition of the leasehold was certainly not worse than that of the freehold, and that the very worst properties he found were freehold, let by the freeholder direct to the occupiers, among them some of the very examples mentioned in the Report of the Royal Commission on the housing of the working classes, as for instance, Shelton Street formerly King Street, and the Italian Colony at Saffron Hill. He described the miserable condition of two freehold houses in White Horse Yard belonging to an old lady, said by the tenants to have owned them for half her life-time, and to have never done any repairs to them at all, and mentioned country towns in which building leases are unknown and cottages are to be found in a most wretched condition. He stated that he had found no tenement or cottage property so badly maintained as that of small freeholders, who were frequently dependent on the rents, and being subject to no supervision as to the state of repair, and unable to spare money for the purpose, let the property "go down hill till at last it got to a point at which only the class of people who do not want repairs done will live in it, and then it is hopeless to repair it at all." He also stated that he found the condition of the leasehold tenement and cottage property on the Marquis of Northampton's Clerkenwell Estate, mentioned in the Report of the Royal Commission on the housing of the working classes, was as a rule distinctly better than that of the freeholds of the same class on the borders of that estate. He had found the tenancies of the houses he had surveyed vary much; he had found

only one case of an occupying freeholder among the 1,250 houses; out of 227 freehold houses in 35 different streets or courts, 29 were let to middlemen on tenancies for terms varying from weekly to 14 years, and 198 were let direct by the freeholders to the actual occupiers; among the houses let direct by the freeholders were some of the worst he saw, viz., houses in Shelton St., Feather's Court, and New Church Court, Saffron Hill, and Francis Court, and a good deal of rural cottage property, which in many districts is exceedingly bad. Out of 141 long leasehold houses in 22 different streets or courts north of the Thames, he found 63 were let direct by the leaseholders to the actual occupiers, and 78 were let to middlemen in tenancies for one year and upwards. The houses in three courts which were among the worst of the leasehold houses, he said were let direct by the leaseholders to the occupiers. On the Rolls Estate, south of the Thames, he had found about 3,000 cottages let on weekly or monthly tenancies; about 280 of these are let direct by the freeholder to weekly tenants, 72 are let on 21 years' leases in blocks, and the remainder are held on building leases; and he found the condition of the freehold houses very fair, but not better than the average condition of those held on building leases. He saw no reason to believe that as a rule the mode of letting affected their maintenance, which appeared to depend on the individual characters and habits of the immediate landlord and occupier in each case. Mr. Farrant said that some of the worst workingmen's houses in England were to be found in Leeds (which had been specially put forward as an example of a freehold town), where many of such houses were badly built, standing back to back without yards or areas.

As regards the bad sanitary condition of London tenement or cottage property many of the witnesses agreed with the statement of the Royal Commission that this had been largely caused in the past by the gross negligence of the Local Sanitary Authorities; and that since they had been roused to a more vigorous discharge of their duty a very great improvement in this respect had been effected.

As regards the effect of the system of building leases on the rents paid by the working classes, the evidence already given as to the effect of the system on rack rentals applies as much to this class of property as to any other, but we have also evidence specially directed to this particular point. Mr. Garrard says tenure does not affect the rack rentals paid by the working classes, and that they have much less difficulty in finding house accommodation than 25 years ago, the building of suburban cottage estates (such as Shaftesbury Park), and blocks of artizans dwellings having very nearly overtaken the demand. Mr. Gatliff did not think the rents paid by the actual occupier were affected by the tenure of the site, and said taking leasehold land enables the building of artizans dwellings to make quicker progress, inasmuch as "you have not to wait to raise capital to purchase the freehold," and thinks the leasehold system the most convenient form in which a person erecting such buildings can acquire the land. Mr. Boodle explained that in London proper, better and cheaper accommodation could be provided for the working classes in large blocks of buildings than in any other way, because the construction is cheaper in proportion to the number of dwellings and the provision and maintenance of proper sanitary arrangements much easier, and that the large sites necessary for these could only have been provided by private arrangement on the leasehold system which rendered possible the clearing away of large areas of worn out property of which the leases fell in together. He stated that on the Grosvenor Estate there were already in various parts ten blocks of such dwellings housing about 3,435 families, besides schemes in progress which will accommodate about 2,000 persons, which is about 700 more than the number of persons the schemes will displace. He stated that

the ground rent on the block known as Gatliff Buildings had been fixed by the late Lord Westminster at £40 a year, with two years peppercorn, and that he had lent the whole cost of the buildings, about £19,500, at 3 per cent. interest on condition that the rents paid by occupiers should be kept low; also that the ground rent fixed by the Duke of Westminster for the sites of the new buildings to be erected between Oxford Street and Grosvenor Square to accommodate 2,000 persons was not more than 2d. per foot, very considerably less than the market value of the land. He also stated that the Marquis of Northampton on his Clerkenwell Estate, had let at a low rate, sites for blocks of artizans' dwellings now accommodating about 1690 persons. Mr. Farrant stated that the Duke of Westminster, the Marquis of Northampton and Lord Portman had provided sites for blocks of workmen's dwellings at ground rents below their market value; for instance, his Company had taken from Lord Portman an acre of ground at Lisson Grove for this purpose at 2d. per foot, which was worth 6d.; he did not think it likely landowners would be willing to sell the land as freehold below the market value for such purposes if they retained no interest in their estates; and that it was impossible to let rooms at rents within the means of the poorer working people in blocks of buildings in London, if the sites were paid for at the market value, the difficulty being precisely the same on leasehold sites at full ground rents or freehold at full prices. He said that his Company had never had any difficulty in getting sites for their purpose at less than the market value for other purposes, but he saw no hope of doing so except on the estates of the large landlords and the land reserved by the Metropolitan Board of Works. He said that the new buildings at Lisson Grove would cost £40,000, and the sinking fund, created at 4 per cent. to replace this sum at the end of the lease, amounted to less than one-third of a penny per room per week. Mr. Gatliff said his Association had 14 establishments, housing about 7,000 persons, about half being freehold and half leasehold, having cost in the aggregate about £270,000, and that it did not matter to his Company as an investment whether the sites were freehold or leasehold, and that the tenure did not affect the rents paid by the occupiers. On the contrary, he said that by avoiding the necessity of sinking capital in the site, the leasehold system facilitated the operations of the Association, and that a sinking fund is created for all the leasehold properties to return the capital expended on them at the expiration of the term. He stated that the late Marquis of Westminster, in consideration of his making a pecuniary sacrifice in ground rent, had restricted his Association to charging low rents in Gatliff Buildings so as to provide accommodation for the very poor who could not be housed at rents which would produce a return for the full value of land and buildings. Mr. Moore said that his Company had already expended £950,000, and arranged to spend £70,000 more on blocks of working men's dwellings, some of which are freehold, some leasehold; that his Company is quite indifferent whether they are leasehold or freehold, and that the site does not affect the rental paid by the actual occupiers; his Company paid a dividend of 5 per cent. after creating a reserve fund to equalize the dividend, and also creating a sinking fund on the 4 per cent. table to return the capital sunk in the leasehold buildings at the expiration of the leases; thus at the end of the terms his Company would have its whole capital reinstated and be quite independent of any renewals, the ground landlord having the buildings, to which, as he had received a very low ground rent for the whole term, Mr. Moore thought he would be fully entitled. This Mr. Moore thought an advantage to the Company, because, instead of having the buildings on their hands nearly 100 years hence, they would have instead their full capital to build new buildings,

with all the modern improvements which by that time would have been discovered.

On the other hand there is very little evidence in favour of the allegation that any injury is caused to the working man as occupier by the leasehold system. Mr. Harrison expressed a decided opinion that the London leasehold building system was "bad for industrial or working class-property," and quoted evidence given on previous occasions as to the bad state of church property in St. Martin's-le-Grand and elsewhere in 1851, and of the Southwark estate of the Ecclesiastical Commissioners, but it appeared that these were rather instances of the bad effect of leases for lives, and of short leases for terms of from 40 down to as little as 21 years, granted by ecclesiastical bodies with limited powers and little personal interest in the future of their estates, than of the operations of the London building lease system as at present existing. He stated that, so far as he can trace, there is not the same bad state of things on adjacent freeholds. When asked, however, whether his opinion was mainly founded on the evidence given before the Commission of the Housing of the Working Classes (the value of which for this purpose has already been explained) he said "partially, and also on what I have seen," and "I was on one occasion a candidate for the division of Holborn, and it necessitated my visiting a great deal of property in that district, which was as far as I could see in a disgraceful state." It requires, however, a great deal of very careful and minute inquiry to get at the truth as to the ownership and tenure of properties such as Mr. Harrison describes, and it is somewhat unlikely that a candidate in the heat of a contested election could spare time and thought to ascertain the facts as to the tenure of tenements he visited; moreover, as a matter of fact, some of the worst tenement properties in the Holborn district were proved by Mr. Howard Martin's survey to be freehold. We can hardly avoid, therefore, coming to the conclusion that Mr. Harrison, like the ten Royal Commissioners, took it for granted that the leasehold system was the cause of the evils he saw, and accepted freehold and leasehold dwellings alike as examples of the bad effect of it. It is true he claimed sufficient personal experience to form an opinion as to the comparative merits of the two systems; but in very guarded language and without any attempt to give the Committee the instances on which his opinion was based. There is overwhelming weight of evidence therefore against the statement that the London building lease system directly injures the occupiers of tenement property by causing a bad state of repair or sanitary condition of their dwellings or raising their rents.

It remains to be considered, however, whether it injures the working classes indirectly by discouraging thrift and hindering the proper investment of their savings in house property.

Mr. Burr stated that at Swansea the working men eagerly took 99 years' leases at ground rents of £1 18s. each, and built their own houses, and do not press for the freehold. Mr. Vigers said the working classes of London require to be able to move easily with their employment; thus it would not answer their purpose to buy houses for their own occupation, and he instanced the Peabody buildings, which offer to their tenants as a special advantage the opportunity of shifting from one neighbourhood to another without the loss of a week's rent. Mr. Moore said that London working men usually only occupy rooms, and frequently are compelled to shift from place to place with their occupation; that 50 per cent. per annum of his Company's tenants change their dwelling-places, and applications from them to be shifted to rooms in blocks in the other districts were frequent for that reason. Mr. Tewson said that house property was not a suitable investment for London artizans, that they must shift about with shifting work; and that he had

often known small tradesmen ruined by buying houses for their own occupation with borrowed money and losing the capital they had thus sunk, because when bad times came they could not keep up the payments of principal and interest. Mr. Garrard said the London artizans move from one part to another and do not desire to become freeholders of the houses they occupy. Mr. Farrant said that his Company had now about 4,440 houses; about 10 years ago, it was one of the Company's objects to enable working men to become owners of the houses they occupied as leaseholders subject to a ground rent, the purchasers having the option of spreading the payment of their purchase money in instalments over a series of years; the Company sold 329 houses thus, but at last abandoned the system because the occupying owners found it necessary through change of occupation or circumstances after a time to sell, and the houses got into the hands of middlemen who charged 15 per cent. higher rent than the Company charged for surrounding houses, and took no pains to secure respectable tenants. Of these 329 houses, the Company actually bought back 25 per cent. in 12 years, because the occupying owners were unable to hold them, sometimes because they had borrowed money of building societies and could not keep up the instalments, sometimes because of failing health and income; sometimes because the owner got work at too great a distance; in all cases from causes which would have operated in the same way whether the houses had been leasehold or freehold. Mr. Farrant said the great distances in London rendered it necessary for working men in London to change their dwellings more often than those in such towns as Leeds for instance, where they can easily walk from the centre to the suburbs, and he thought it impossible for the London working men to acquire the freehold of the houses they occupy. He said he thought it was now easy for working men to buy houses in and near London; there has been a great fall in the value of property and houses are very cheap. Mr. Green said that about one-third of the working men's dwellings in the district of Plumstead and Woolwich are owned by the occupiers, seven-eighths of these being leasehold. Mr. Edwards thought the proportion of artizans who had bought the building leases of the houses they occupied on the Evelyn Estate at Deptford did not exceed 10 per cent. Mr. Stockall said that the leasehold system rather stimulates the desire of the working classes to acquire their houses; that there is not the slightest reluctance on their part to purchase houses because they are leasehold; "their desire is, in the first place, to buy leasehold, because it produces 7 per cent.; and if they only pay 5 per cent. for their money, that is 2 per cent. profit to help towards paying for the house." Again, "say a man who purchases a leasehold which has 50 years to run is 40 years of age; if, in 10 or 12 years he can purchase that house, and have it his own by the time he is 60, he would be in possession of, say, £25 a year income so long as he lives, then the remainder of his lease possibly would produce as much as when he bought it." Col. Hughes says that the workmen employed in Woolwich Arsenal have very largely acquired houses in the neighbourhood on leasehold tenure through building societies, and he admits that the working men have under the leasehold tenure "derived a certain advantage;" but, he adds, "at the end they will have practically to begin the acquisition of their property all over again." This, however, will not be so if they have with common prudence availed themselves of the various opportunities of creating a sinking fund to accumulate as the term of the lease diminishes; and if they have preferred spending the whole return on their investments, including instalments of capital and interest, to making a proper provision for the future, it is hardly reasonable to complain because they can't

both "eat their cake and have it." Mr. Harrison says the cases in which working men, "ordinary miners and others," own their houses in the provinces are very numerous; and Mr. Jones gave evidence as to the large number of members of co-operative societies in various parts of the country who had, by the help of those societies, acquired the freeholds of the houses they occupy, and he hoped to arrange a scheme of associated ownership in London by which working men might become the owners of rooms in blocks of London freehold dwellings. Col. Hughes says again that in the whole of the London suburbs the mechanics wish to acquire freehold in order that they might "have the certainty of its going to their children and grandchildren afterwards;" but it seems somewhat unlikely under the usual conditions of London life that this result would be secured if they did acquire freeholds; nor, if it were, would it be desirable, judging from the evidence as to the condition of such property owned by poor persons and let as an investment. In Woolwich and Plumstead Col. Hughes thinks one in three of the working men live in their own leasehold houses, and the reason for the difference in this respect between that neighbourhood and other districts round London is stated by several witnesses to be that the occupation of the working men in the Woolwich district at the arsenal and elsewhere is steady and permanent. Mr. Jones stated that the Wholesale Co-operative Society does business to the amount of over 6 millions a year; the London branch, of about £800,000 a year, and that there are altogether 1,409 societies, having 911,797 members, with nearly £12,000,000 capital, and a total turnover for 1886 of £32,500,000, including the trade of the Wholesale Co-operative Society already mentioned. The total profits for the year were £3,135,000, of which about £22,500 was granted for educational purposes, and £10,300 for charitable purposes. These societies are mostly in Scotland and the North of England, but are increasing in the South, being now four times as numerous as twelve or thirteen years ago. He explained that these societies are started with small capital, varying from £5 to £120 subscribed by the members, and open shops for the retail of goods at ordinary shopkeepers' prices. The profits are divided every quarter among the members in proportion to their purchases during the quarter, and the profits generally amount to 1s. or 2s. in the £, but are sometimes as much as 4s. In the first instance, the profit is left in the hands of the Society as members' share capital, on which the Society usually pays them interest at the rate of 5 per cent. per annum, the limit of such accumulation in the capital of the Society being fixed at £200 by law, but often at a less amount by the rules of the societies. The Rochdale Society started 42 years ago with 28 members and £28 capital; in 1886 they had £321,678 of share capital and £12,100 of loan capital, which is probably savings bank deposits; their land, buildings, and fixtures being of the value of £54,261. The societies invest their money if possible in freehold business premises, warehouses, shops, bakeries, stables, &c., for their own use, and also in cottages for their members; and the northern societies would have been very much hindered in doing so if they could not have acquired freehold. Mr. Jones gave an instance at Prestwich where building was checked because the rector would only let the glebe land on building leases for 99 years; and the Co-operative Society, although it had large sums lying almost idle, "being a permanent corporate body," would not expend it on leasehold buildings. A new rector, however, having agreed to grant 999 years' leases, the Co-operative Society has taken some land, and is at once going to spend £8,000 in erecting houses. This, by the way, is a very good example of the difficulty of forcing the leasehold building system upon a neighbourhood where

it is not customary, for it is not clear in what respect as regards the policy of taking a lease for building the position of this Society differed from that of the Improved Industrial Dwellings Company, as to which Mr. Moore said it preferred building on leasehold sites and creating a sinking fund, because it preferred the returned capital at the end of the term to the worn-out buildings. Mr. Jones says the working men members of these societies are discouraged in investing by the 99 years' system, because the property ultimately reverts to the ground landlord, and also that the societies themselves in leasehold districts suffer because they cannot get freehold premises—*e.g.*, the King's Cross Society bought a 12 years' lease of its premises about 15 months ago, and is already doing a trade of £140 a week, and will probably soon be doing nearly £15,000 a year. It will be absolutely necessary for the Society to enlarge its premises, but it cannot get the freehold of the premises to enable it to do so. He also mentioned the case of the Woolwich Society, which, having begun in a cottage, has increased till it has spent £9,000 in building, on a lease which has now only 12 years to run, at a rental of £160; and the Society is now able to get a new lease of its present premises with adjoining property worth £245 a year for £350, but must spend £8,000 or £10,000 in new buildings on plans approved by the landlord. He mentioned other cases shewing the difficulty the societies had in getting suitable premises or the loss to them caused by being forced by rapid increase of business to spend large sums in additions to premises held on leases too short to secure a return for the outlay. Mr. Jones considers these societies a benefit to the State, because they make their working-men members into small capitalists and give them a stake in the country; he adds, "we say for the public good it is absolutely necessary that the working man should have some opportuntity to invest his money near home and so induce him to be provident," and that these societies give this opportunity at present to 911,000 working men members, and that the working men members are getting richer every year through the help of these societies.

The whole evidence appears to show that the working class population of London and many of the suburbs is compelled by the shifting of their occupation to change from place to place too frequently for it to be desirable for them to buy dwellings for their own occupation; but that in those neighbourhoods in which their occupations keep them in one place, working men have bought leaseholds (where leaseholds are customary) as readily as freeholds, and have fully appreciated the financial advantages of the leasehold system: also that tenement or cottage property is not a good investment for persons of small means dependent on the rents, because of its tendency to rapidly deteriorate and the difficulty such owners experience in setting aside periodically proper sums for repairs; hence, that as a provision for his family or for any other purpose but his own occupation, such property is not a prudent investment for working men. It is difficult to see, therefore, in what way the leasehold system checks thrift in the working classes, unless it be in hindering the expansion of the marvellous Co-operative Societies, of which Mr. Jones has spoken. It is not clear why the building lease system, which the Artizans' Dwelling Companies find helpful, should be an obstacle to Co-operative Societies, but if this be indeed the case, it must be freely admitted that Societies with so good an end, and so successful in attaining it, should have every avoidable impediment removed from their path. But if their case were made out, that would only be a reason for giving them, as in the cases of other undertakings of public utility, a right to acquire freeholds on proper terms for their own special purposes, and would not justify a sweeping measure to confer the same privilege on private individuals in

general. Before leaving this part of the case, it would be interesting to see to what extent, according to the evidence, working men would be actually affected by leasehold enfranchisement. As regards the condition of London tenement property, all the assailants of the leasehold system agree that it is to middlemen leaseholders that the worst of the existing evils are due; and it is clear that in many cases the supervision of the ground landlords has been a useful check on these persons. But the principal effect of leasehold enfranchisement as regards property of this class would be to throw it into the hands of middlemen freed entirely from the supervision that has hitherto been in many cases effectual. Mr. Hughes admitted that, even in Woolwich, where the proportion of working men *owning* and occupying leaseholds considerably exceeded that in most parts of London, middlemen and not occupiers would benefit by leasehold enfranchisement so far as three-quarters of the property is concerned. Mr. Tewson said that as regards the dwellings of the working classes it would be the middlemen who would be able to take advantage of leasehold enfranchisement, and the actual occupiers would suffer by the withdrawal of the supervision of the ground landlord. Mr. Garrard says leasehold enfranchisement in most cases would only make the middlemen the freeholders. Mr. Boodle pointed out also that there would be quite as many middlemen after leasehold enfranchisement as before, because many middlemen, indeed most of those on the Northampton Clerkenwell Estate, hold, and would hold, on short leases and other tenancies under 21 years; and would therefore not be affected by leasehold enfranchisements. Mr. Castle thinks freehold tenure would make the working men less disposed to shift about, and instances the beneficial effect in Yorkshire of giving labourers two acres and a "cow run," but it is clear there is no analogy between land on which a labourer can turn the spare time of himself and family to a profitable account, and a tenement for the occupation of a London working man, probably in a neighbourhood which has no attractions except its proximity to his work at the time. Mr. Farrant said that middlemen would be the persons most benefitted by leasehold enfranchisement, and the very poor man would be injured by it. Mr. Gatliff did not think his company would gain any advantage if leaseholders were empowered to acquire the freehold of their holdings on fair terms. Mr. Edwards said that in his opinion no advantage would accrue to the community of Deptford by leasehold enfranchisement, the effect of which would be that the middlemen would become the freeholders. He stated that on the Evelyn Estate 300 houses of which the leases had expired were let direct by the freeholder to weekly tenants, and Mr. Howard Martin said that he found 280 houses on the Rolls Estate let under similar circumstances direct to the weekly tenants by the freeholder; obviously a much better state of things for the actual occupiers than if by leasehold enfranchisement they had fallen in small parcels into the uncontrolled hands of the "house farmers" or "middlemen." Mr. Bourne said that leasehold enfranchisement would not affect the working classes generally, because they are not leaseholders; and that it would injure the actual occupiers of those classes, by diminishing the supervision exercised over their immediate landlords. Apart then from the question whether, in London, small house property is or is not a desirable investment for persons of small means, it seems that leasehold enfranchisement would give the bulk of London working men no better opportunity of acquiring their houses than they have at present, and would in many cases aggravate the evils at present existing.

V. The evidence as to the merits and demerits of the London system of building leases and the special effect of that system and of leasehold enfranchisement on the working classes has been fully considered, and it remains

to deal with the evidence as to the general advantages and disadvantages that may be expected to arise from leasehold enfranchisement.

Mr. Rhodes thinks leasehold enfranchisement would increase public spirit and create more desire for local improvement and public enterprise, because the occupier would reap the benefit of his expenditure; he scorns the suggestion, however, that it would benefit speculative builders, and repudiates the idea that "they are objects worthy of consideration." But it must be borne in mind in passing that every builder who builds houses for the general market *is* a speculative builder, and that the speculative builder practically houses the whole population. Any change, therefore, that is to their loss must necessarily cause a general rise of rents. He says also the great advantage of leasehold enfranchisement is multiplying ownerships, that the "dominant principle that guides my thoughts is, I want many owners instead of few." To secure this object he would permit every ground landlord whose land is *increasing* in value to be forced by his leaseholders to enfranchise—but strongly objected to allow a ground landlord, whose land was likely to *decrease* in value, to force his leaseholders to enfranchise, which would quite as much tend to increase the number of owners, and appears necessary to make the scheme fair to both parties. As regards Mr. Rhodes' first point, it will be remembered that it has been shown that the majority of occupiers are certainly not leaseholders on such a tenure as would enable them to acquire the freeholds under a scheme of leasehold enfranchisement; and, secondly, that those occupiers who hold on building leases, as a matter of fact, are already "owners" in the ordinary sense of the word. Mr. Vigers puts it—"a man who is an owner thinks more about what is good for other people, whether he is a leaseholder or freeholder." It would require some much more definite public advantage than the vague difference between the amount of public spirit created by owning a freehold, and that created by owning property on a lease which will long outlast the leaseholder's and, perhaps his children's lives subject to a ground rent of a sixth or a tenth of the actual value of the property, to justify a measure with such grave *direct* drawbacks as compulsory leasehold enfranchisement, especially when it is remembered that if all landowners were set *free* to sell when their own interests required it, compulsion, from Mr. Rhodes' own point of view, would probably become quite unnecessary. Mr. Cooper says that in his opinion, the best course would be to encourage people to take freehold property by low ering law costs and setting landowners free to sell by abolishing entail, but t o allow people to take leases if they choose. Mr. Vigers thinks leasehold enfranchisement would greatly benefit lawyers and surveyors by the amount of work they would have in carrying it out, but that enormous public evils would accrue from it. Mr. Burr thinks that leasehold enfranchisement would be very beneficial to the country generally by increasing the number of persons interested in the freehold of land; but he had not considered whether anything would be done to prevent the land again getting into a small number of hands and being let on unenfranchisable tenancies. Mr. Harrison has not the slightest doubt that occupiers would be benefitted by these bills, and thinks occupiers "to a great extent" have leases of over 20 years unexpired, and could, therefore, take advantage of leasehold enfranchisement. This, however, is contrary to the evidence given elsewhere that the majority of occupiers, especially of houses of a moderate size, and of small houses, do not hold long leases. Mr. Castle approves of leasehold enfranchisement, because "the more widely spread and the greater the number of persons interested in the ownership of property the better it is for the rights of property distinctly. I think it would be an extremely desirable thing for the country, and the

owners of property in the country, that as many working men as possible should own their own homes." But it seems clear that the first object may be secured without leasehold enfranchisement, and that the second object would not be obtained by leasehold enfranchisement. Mr. Green, however, brings the principal to a *reductio ad absurdum*, stating his opinion that wherever a man has established a business his landlord should be compelled to sell him the freehold; and a tenant of a dwelling-house, though only a weekly tenant, should have the same right—"the very fact of his wanting to reside there (which I do not) ought to be quite sufficient to compel me to sell it to him." This, however, is the very "mid-summer madness" of leasehold enfranchisement, and Mr. Platt, ardent assailant of the leasehold system as he is, sees too well the importance to tradesmen and middle-class occupiers generally of being able to hire premises for their own occupation to support a proposal which would practically put an end to lettings altogether. He does "not think it right to interfere with contracts when made," and does "not think existing leases should be interfered with," and says, in answer to question whether he would give the landlord power to force enfranchisement, "I do not consider that is a practical thing; the tenants are not in a position to buy. They talk about one ownership, but that cannot be; we are not in a position to buy the property, there must be a second owner."

The advantages suggested are of a very vague kind, but it is shewn that the disadvantages are definite, serious, and wide spreading. The passing of a Leasehold Enfranchisement Bill would not only fine all owners of ground rents and reversions by depreciating their value through their being rendered liable at any time to compulsory purchase, but would depreciate the value of all real property by the feeling of insecurity that would be created by such an interference with the rights of owners. Mr. Vigers says that ground rents are a common investment for trustees; there are always some in the market, and they are a convenient investment for persons of small means. If they became liable to compulsory purchase, the price when they were sold could only be invested in the funds to obtain equal security, and this would cause a great loss of income. Leasehold enfranchisement would divorce capital from land, and "even the suggestion of enfranchising leaseholds is damaging property very seriously." Mr. Howard Martin says leasehold enfranchisement would only benefit individuals, and would cause serious injury to all classes by depreciating the value of all real property; and that giving leaseholders an unlimited right to buy the freeholds of their holdings would depreciate the property of every owner of ground rents, by rendering it uncertain how long they could be retained as an investment. Mr. Tewson said that giving leaseholders the power of compulsory purchase of ground rents and reversions "would materially affect the saleability of ground rents, because people buy them who want a permanent investment, secure, and with a fixed income." Mr. Gregory strongly objected to leasehold enfranchisement as unjust, and very injurious to the value of property, because "it imports a condition into existing contracts, which neither party contemplated at the time the contract was entered into." . . . "All the lessors that I have been concerned for, or that I have known, would decidedly have objected to a provision that enabled the other party to purchase at any time the property that was leased to him." . . . . "It may be that money at one time is more favourable than it is at another, and he (the leaseholder) can raise money at a cheaper rate; he would take advantage of that to buy at that time, and then you (the lessor) must re-invest at a low rate of interest. This is importing into the existing contract a condition to the disadvantage of one party." Mr. Garrard said leasehold enfranchisement would depreciate

the value of ground rents materially; he gave, as an example, the case of an incumbent for whom he had bought ground rents of £10 per house on six houses; and if the tenants could buy the ground rents singly, the money would have to be re-invested from time to time as they chose to pay him, and could not be re-invested with equal security to produce the same rate of interest. Mr. Cooper, who is very desirous of a right of leasehold enfranchisement as against his ground landlord, admits that to give his own tenants an option of purchase during the whole of the term of their leases would be disadvantageous to himself, as a landlord, because it would prevent his selling to anyone but the tenants, and might seriously affect mortgage arrangements; and when pressed to point out why it would be detrimental to him to have to give such an option, but not detrimental to a ground landlord to have to do so, he was unable to give any explanation, unless the remark, "I admit I came here with selfish motives" may be considered one. Mr. Boodle said leasehold enfranchisement would injure both poor and rich, because when the market for house property was temporarily depreciated, leaseholders would use the Act to enforce the compulsory sale to them of their houses to the great injury of the ground landlords, often men of the same class who had sunk their earnings in land as a secure investment. Mr. Castle's evidence on this point was very unsatisfactory. He said he did not think that making ground landlords liable to be forced to sell their ground rents at any uncertain time during a long period, and, perhaps, in driblets, would affect the value of the ground rents as an investment; although after a good deal of pressing, he admitted that probably persons wishing to make a permanent investment would not so readily seek ground rents if there were a chance of being paid off in that way, because of the necessity this would involve of re-investing (to say nothing of expenses); and further that the willingness or unwillingness of people to make a particular investment affected its value. No one would suspect Mr. Castle of stating an opinion which he did not honestly hold, and the only inference that could be drawn from this by those who, being constantly engaged in buying and selling real property, know the extreme sensitiveness of buyers to any considerations that affect the popularity of an investment, is that Mr. Castle's experience, though doubtless large, is in the management of estates, and not in actual sales in the open market. Mr. Bailey says leasehold enfranchisement would injure the value of the ground landlord's property, because, if absolutely fair terms of purchase are granted, the leaseholders would "take the nuggets and leave the dross," *i.e.*, the leaseholders would buy the parts of an estate that are eligible and rising in value, and leave the deteriorated parts on the freeholders hands. Mr. Bourne said the sense of insecurity caused by proposals of leasehold enfranchisement had already depreciated the value of the property and kept capital out of building. He gave an instance of negotiations for the investment of about £80,000 in building on leasehold land between Gower Street and Tottenham Court Road, which had fallen through, the intended lessees having "drawn back, because they do not really know what is going to happen, with all these rumours afloat, as to interference with existing arrangements and so forth on every side." Mr. Gregory said he would rather sell than be deprived of his reversion by having a ground rent converted into a perpetual rent charge, leaving him the trouble of seeing the repairs, insurance, &c., of the property kept up, which would not be worth while for a few pounds a year, without the growing value of the reversion. He stated that ground rents are an investment for all classes in large and small amounts, and mentioned an instance of a retired tradesman at Brighton who had invested his savings in

ground rents, foregoing income for himself in order to provide for his family in the future by the reversions, and "Now," he said, "are those to be taken away from us—I do not know what is to come to us." Mr. Tewson said, as regards leasehold enfranchisement, retrospective legislation would enormously damage owners of property without benefitting those who are intended to be benefitted, viz., the occupying class; and again, "some occupying leaseholders might benefit, but why should millions be brought to the grindstone for their benefit." The evidence makes it clear, moreover, that the suffering from the depreciation of the value of ground rents caused by leasehold enfranchisement would be widespread, and not confined to a few great landlords, as some suppose. Mr. Howard Martin stated that in 1884 and 1885 (two years of great depression when sales would be less than usual) ground rents to the value of £891,000 were sold by auction at the London Auction Mart alone, and a very large number by auction elsewhere and privately, none of these of course being on any of the large estates. Mr. Tewson stated that omitting large ground rents of £200 a year each and upwards, he found he sold in 10 years 182 ground rents, all lotted in separate houses, and that only 24 were bought by the leaseholders, the remainder having been purchased by the "outside investing public." Mr. Gregory said ground rents are a favourite investment for all classes, especially for a large number of prudent middle-class people who buy them for the sake of their families, who are to have the reversion hereafter; he said that the Prudential Insurance Company alone (which invests the aggregate of the small savings of a large number of people) has £300,000 invested in ground rents. According to the published returns, many other insurance offices have also invested very large sums in the same way.

Besides the depreciation of the value of ground rents leasehold enfranchisement would often directly injure ground landlords in a way for which no adequate compensation could be paid by a leaseholder; it would indirectly injure the public by rendering many improvements now made at the public expense impossible without the intervention of the local authorities with Parliamentary powers. One of the simplest forms of this injury would be the preventing the rebuilding of worn-out houses. At present, at the termination of a London building lease, it is often found that the building, if not worn out, is at any rate unsuitable for its purpose, either because modern tastes require arrangements and conveniences not to be found in houses built 90 years ago, or because changes in the circumstances of the neighbourhood render some quite different kind of building desirable. The leasehold system greatly facilitates the rebuilding which in such cases is to the true interest of everyone; on the expiration of a building lease the leaseholder has had his capital returned to him with profit and has no further interest in the building, the ground landlord has never received more than the ground rent, and prefers to forego the insecure full rack rental of an old and unsuitable building, and to create a fresh ground rent less in amount, but properly secured. The public gains by the improvement of the neighbourhood, and the masters and men of the building trade gain by the impulse thus given to business. In freehold districts it is not so. The time is very slow in coming when the owner of the freehold rack rent will give it up and be content with the value of the site in order to allow of his premises being rebuilt; and if he would, it is very unlikely that his neighbours on both sides will agree to do so at the same time so as to diminish the expense and increase the good result by rebuilding several houses at once, as can usually be done in the case of leaseholds.

A comparison with the adjoining leasehold estates of a freehold area suffering under this disadvantage at Soho has already been quoted. Mr.

Vigers says most town houses at the end of 99 years' leases require rebuilding, the multiplication of freeholds would tend to keep them standing too long. Mr. Howard Martin says there are very few of the better class of residences built 99 years ago that do not require very considerable alterations to fit them for modern requirements; the sanitary arrangements and servants' accommodation of that time being now considered quite unsuitable, and there is no reason to suppose what now satisfies us will not be considered quite as much in need of improvement 100 years hence. He gave instances, however, of houses of which the actual structures lasted habitable for a much longer period. Mr. Garrard says houses 99 years old are rarely suited to modern requirements, and when 99 years' leases fall in it is a great advantage to all concerned to rebuild houses and rearrange streets on a modern plan, though there are many that last more than 99 years; for instance, 80 years ago he granted new leases of some houses on the expiry of the original 99 years' leases, and he was now granting fresh leases of the same houses. Mr. Yates says that the best thing that can be done with small property within 10 or 12 years after the expiration of long leases is to pull it down and rebuild it.

As regards the larger and more important improvements of neighbourhoods, which would be prevented by leasehold enfranchisement, Mr. Vigers said the liability to leasehold enfranchisement would prevent a landlord dealing with his estate as a whole, and gave an instance of an estate of several leasehold houses each with from three to five acres of land; if any one of these lessees could enfranchise his holding he might make a great profit himself by covering the whole of his land with cottages, which would greatly injure the adjoining property of the landlord and other lessees. Mr. Howard Martin gave as an instance Little Ormond Yard, which was an insanitary slum between Ormond Street and East Street, entirely swept away when the long leases on which the various parts of it were held expired; a good road was formed on the site, and the frontages covered with very good small dwelling-houses. If any of the leaseholders had possessed and exercised the power of buying the reversion to his holding this improvement would have been prevented to the loss of the ground landlord, and the injury of the public.

He also mentioned the Rolls Estate situate in the parishes of Bermondsey, Southwark, and Newington, which originally included many suburban leasehold dwellings of importance, with large gardens. Owing to the entire change of the character of the neighbourhood these houses were mostly converted into shops, and cottages were built on the garden ground in narrow alleys and courts. As the leases fell in, however, the freeholder has pulled down the large dwellings now unsuitable for the position, widened the narrow lanes and alleys, cleared away insanitary cottages, and had suitable houses for the present population built on the land thus made available. If the various leaseholders had had power to enforce the sale to themselves of the respective ground rents and reversions, all these improvements would have been impossible, except by a public authority armed with Parliamentary powers, and at great expense to the ratepayers. Mr. Boodle stated that the public improvement made near Victoria Station in rebuilding Grosvenor Gardens was made at the expiration of the leases, all but one of which fell in in 1864, by the late Marquess of Westminster, who spent £10,000 in altering the roads, sewers, &c., sacrificing also some thousands a year for the next 80 or 90 years by the improvement. One house, however, was held on a lease which had 55 years longer to run than the others; the improvement could not have been carried out without acquiring that house, and it cost the Marquess £4,600 besides the value of the lease, to secure it. Had the

leaseholders been able to enfranchise, this improvement would have been impossible. Mr. Bourne gave an instance of the Harper Charity (the endowment of the well-known Bedford School) which chiefly derives its income of £20,000 a year from ground rents on London property, and all its arrangements for its large expenditure on the school in masters' salaries, scholarships, &c., are based on the supposed certainty of this income. Leasehold enfranchisement, with the certain consequent loss in reinvestment with equal security, would lead to the entire disorganisation of its very valuable educational work merely "for the benefit of 300 or 400 lessees in London who would put an additional £5,000 into their own pockets, instead of its going into the pockets of the Charity." There is much more evidence of the same kind, but the examples given appear to be sufficient to show that the injury leasehold enfranchisement would in many cases cause to ground landlords by severance, would be of such a nature and extent that no leaseholder could pay adequate compensation for it, and that the consequent hindrance of improvements of urban districts at private expense on the falling in of leases would be a serious public injury. It is clear, too, that these disadvantages attach as much to extinguishing the landlord's reversion by changing his ground rent into a perpetual fee-farm rent, as by transferring it to the leaseholder by forced sale.

It is objected further that leasehold enfranchisement would either stop the granting of building leases, as no one would consent to hold a ground rent and reversion subject to a right of forced sale to the leaseholder at any time, or very much raise the rate of ground rents in order to compensate for this disadvantage; and in either case would injure occupiers because builders being put to more expense, or requiring greater outlay of capital for the same work would be compelled to raise the rents paid by the actual occupiers. The evidence already quoted, which is supported by a very large majority of the practical witnesses appears to be sufficient to establish this view.

It is admitted by the witnesses on both sides that the restrictions on user and the covenants of building leases as to repairs, are not only for the advantage of ground landlords, but for the general benefit of the leasholders and occupiers of the houses on their estates, by preventing any one leaseholder depreciating his neighbour's property by using his house for objectionable purposes, or allowing it to get into such a state of external disrepair, or making such structural alterations as to affect the appearance or convenience of adjoining houses; and it was practically agreed that in the main the restrictions of town building leases do actually operate for the mutual benefit of the leaseholders and occupiers and ought to be retained, even if a measure of leasehold enfranchisement were passed. Objection was made, however, to the covenants binding leaseholders to insure against fire in particular offices, and to pay fees to the ground landlord's solicitor for noting the assignments of leases. It was explained that it was obviously necessary that a ground landlord should have notices of assignments in order that he might know who was responsible for the covenants of the lease, and also that he should know that the property was insured in a substantial office, and one that would give him notice if the policy were not renewed. Mr. Garrard said he never knew a case where the covenant requiring leaseholders to insure in a particular insurance office was enforced if another office of good standing were preferred by the leaseholder. Mr. Boodle said a leaseholder on the Grosvenor estate would be allowed to insure in any respectable office with which he might be connected; and Mr. Bailey said that on the Portland estate assignments had to be registered by leaseholders, but without payment of any fee to the ground landlord's

solicitor, and that leaseholders could insure in any one of 30 or 40 leading insurance offices they might prefer. On the Evelyn estate, at Deptford, Mr. Edwards, however, said the leaseholders, in the absence of special circumstances, would all be required to insure in one office, so that it might be readily known by the ground landlord whether the insurances were kept up. One instance was mentioned of a leaseholder who had been compelled to insure in one office by his ground landlord and in another by his mortgagee, thus paying two premiums. There did not appear to be any general ground for complaint, however, as to the covenants concerning fire insurance; but Mr. Garrard expressed an opinion that the covenant to pay a fee to the ground landlord's solicitor for the registration of each assignment was sometimes harassing, and should be given up in the interests of the ground landlords.

Two methods of retaining the benefit of the restrictive covenants of building leases if the ground landlords' interest in the reversion is abolished by leasehold enfranchisement, are proposed by its advocates—viz., either by merely leaving property enfranchised liable perpetually to such covenants, or by throwing upon the Local Authorities the duty of enforcing necessary restrictions. As to the first alternative, it appears there are great legal difficulties. Mr. Gregory thought restrictive covenants on freehold property would lapse in 40 years, as no purchaser would be held liable to obey them without notice; and, therefore, if the freehold system were generally adopted, the obligation of these covenants would practically cease in 40 years. To secure the perpetuation of these covenants would require a very special provision and great care in each transaction, and "then I am not sure it would be effectual." This opinion was confirmed by the legal evidence generally; and, in addition, it was pointed out by Mr. Tewson and other witnesses that the ground landlord or vendor of freeholds, having no longer any reversion or interest in the future of the property, would have no motive for enforcing such covenants, and would not care to incur the expense and trouble of doing so. As regards the other alternative, Mr. Rhodes, Mr. Hughes, Mr. Cooper, Mr. Castle, Mr. Holmes, and Mr. Green think the useful restrictive covenants in leases should be retained after enfranchisement, and the duty of enforcing them thrown upon the Local Authorities, who would, they think, do so very satisfactorily. On the other hand, Mr. Boodle thought some Local Authorities might perform such a duty to the advantage of the community, while others would not; and that a freeholder subject to the enforcement of his leasehold covenants by the Local Authority would be less free than a leaseholder under the present circumstances, especially as a ground landlord can vary the operation of the covenants as special circumstances require, while a Local Authority would be compelled to act on the letter of the law; moreover, he said, Local Authorities would not take the same personal interest as a ground landlord in the welfare of an estate, and would be often very difficult to put in motion. Mr. Farrant thinks that Local Authorities show a greater interest in sanitary matters in their districts than formerly, but has never seen any indication of any "social interest" in them, such as he has seen in the owners of large estates. Mr. Bailey thinks Local Authorities would usually not take the trouble to enforce such covenants, nor incur the expense of litigation if people resisted.

It must be remembered that the covenants in question are for the most part private arrangements, made for the benefit, not of the whole public, but of one estate—it may be a very small one consisting of but a few houses; and most persons interested would feel that to remove these obligations from the sphere of free contract into the category of bye-laws rigidly enforced under the powers of an Act of Parliament by a Local Authority, would be to establish a local tyranny of a very irritating and unprofitable description.

Moreover, even if it were well in the abstract that such powers should devolve on the Local Authorities, practical experience of their performance of their present duties leaves little room for hope that the public would gain by throwing new duties of this kind upon them. Already the ratepayers are burdened with the cost of armies of inspectors, superintended by expensive officials, while it is impossible to feel confidence that their inspection is any guarantee that the very Acts under which they work have been complied with; how vain, for instance, is it to trust in the delusive formula so often used by builders concerning house drains and sanitary arrangements "constructed according to the requirements and under the inspection of the Local Board of Health;" and the only result that could safely be predicted if the obligations of ground landlords were thrown on Local Authorities is that expenses would be largely increased, while in many instances nothing would be done because there would be the strongest aversion to spend time and money belonging to the whole district in enforcing covenants only concerning a few, and in others the exercise of the powers of the Authority would be guided by personal influence or interest and the result of elections or party politics, instead of the benefit of occupiers of the estate in question. It would be a very serious evil to abolish the restrictive covenants which have been the means of maintaining the high character of the best districts in and round London, but even that might be less than such an extension as is proposed of the powers and work of the Local Authorities.

It has been argued that the Copyhold Enfranchisement Acts are a fair precedent for Leasehold Enfranchisement. Mr. Gregory very clearly pointed out the essential difference between any of the schemes of Leashold Enfranchisement and the Copyhold Enfranchisement Acts. He said that there is no reversion in the case of copyhold, the lords interest is merely in recurring payments of ascertained value, for which, on enfranchising, you can and do give full compensation, the copyholders interest being permanent, subject to those payments; while the leaseholder's is terminable. The copyholder's liability included that to suit and service for feudal purposes, now absolutely valueless, but the ground landlord's rights under the leasehold covenants are of great value; the lord's rights in a copyhold are absolutely defined and, therefore, easily paid, while the value of a ground landlord's reversion and the injury caused to his estate by the forced sale of a part, are most difficult to assess. For these reasons, Mr. Gregory drew a very broad distinction between copyhold enfranchisement, which he approved, and leasehold enfranchisement, to which he is strongly opposed.

Mr. Boodle said copyhold tenure differed from leasehold, because it was loaded with small and vexatious customs of real benefit to no one; moreover, both lord and copyholder had the right of enforcing copyhold enfranchisement, while it was only proposed to give one of the parties a right to enforce leasehold enfranchisement. Mr. Bailey pointed out that even in copyholds, if there be a reversion, as in the case of copyholds for lives (a somewhat parallel case to leaseholds), the copyholder cannot enforce its enfranchisement. Moreover, as it was admitted by Mr. Harrison, in cross-examination by Mr. Elton, the contract on which copyhold is based, is only imaginary and lost in the depths of time; but Mr. Harrison did not consider this to be any reason for putting the recent and voluntary contracts of building leases on a different footing. The evidence seems to leave no doubt, however, that the case of copyholds differs in such essential respects from that of leaseholds, as to afford no argument or analogy for leasehold enfranchisement.

A mere outline of the evidence on the points referred to has been given, but enough has been quoted to present a fair view of the general result.

Leasehold enfranchisement had some very able advocates with strong feeling to inspire them, and a great flow of eloquence at their command, but they often showed a curious ignorance or disregard of the actual facts of the case, and the weight of practical experience, facts, and figures, was overwhelmingly against them. There is no kind of business relation in which sometimes hardships do not arise from the parties taking advantage of each other. It was never supposed the leasehold system was exempt from imperfections, and it seemed only reasonable to believe that the authors of a public agitation carried on so long and so vigorously as that for leasehold enfranchisement, would have been able at any rate to produce some proof of the charges they have so unsparingly made against landlords, their agents, and the effect of the leasehold system generally. It is astonishing to find, therefore, that their case has broken down; and that while no public disadvantage has been shown to be caused by the London leasehold system nor even that it presses hardly on any class, it has been conclusively proved that in many ways it benefits occupiers, builders, and the general public alike. Beyond putting money into the pockets of individual leaseholders, no advantage of any definite kind is shown to be even probable from leasehold enfranchisement, while it has been clearly proved that it would not only in many cases inflict injuries on ground landlords for which no compensation could be made, and either entirely prevent many desirable public improvements, or increase their cost, and throw it entirely on the already overburdened ratepayers, but that it would also cause serious loss to many thousands of the most thrifty and deserving investors of all classes by the depreciation of the value of their property that would follow the passing of such a measure. The prosperity of every honest man is involved in his right to his own being unassailable; and it is much to be hoped that now it is made so abundantly clear that no public end will be gained by leasehold enfranchisement, the thrifty and industrious of all classes will be roused to resent and resist the attempt to depreciate the investments of their savings by shaking the confidence in their future security which is essential to their value. As regards the special circumstances of co-operative societies, as has been before remarked, if the need can be proved on further inquiry, special legislation might meet their special necessity as it has done for railway companies.

VI. One branch of the inquiry still remains to be discussed. It is alleged that ground landlords bear no share of the local burdens of the places from which they receive their ground rents, do nothing for their future prosperity, and have no right, therefore, to the reversion to the "unearned increment" in the value of their land on the expiration of building leases; and ought to be made to contribute directly to taxation in respect of their ground rents. It is also proposed that local rates should be paid on uncovered building land which should be assessed at its building value.

As regards the right of ground landlords to the reversion to the increased value of their land at the expiration of building leases the explanations previously given as to the terms of building leases probably render it unnecessary to dwell longer on that point. No one would deny a landlord's right to let a property of improving value at a rent rising year by year in proportion to the improvement and if he prefer, to forego, by a special arrangement, all right to the increased value during the term of a lease, that would appear to be no reason for objecting, at its expiration, to his rent at one step reaching the full improved value, whatever it might then be. There seems, however, to be some misconception as to the part actually taken by ground landlords in promoting the prosperity of their estates. It is agreed that in a majority of cases they make the roads and sewers, lay out squares and gardens, and find the capital for doing what is necessary to

turn a bare field into a residential district, or to improve an old neighbourhood. Mr. Boodle stated, with reference to the rebuilding improvements on the Grosvenor estate that a tenant for life loses about two-thirds of his income for the terms of new leases by pulling down old houses to make improvements on the expiry of old leases and letting the sites on building leases rather than reletting the existing houses at rack rentals, and that the late Marquis of Westminster not only thus sacrificed income in making the Grosvenor Gardens' improvement previously referred to, but spent £10,000 in the necessary roads and sewers. Mr. Bailey mentioned a number of public improvements in widening streets, &c., on the Portland estate, made at the expense of the late Duke, involving considerable present loss of income, and stated that 830 worn out houses on the estate had been pulled down and rebuilt on renewals of the leases, at ground rents at considerable loss of income to the freeholder until the new leases expired, and mentioned several instances of sites for schools and churches being granted by the late Duke at a peppercorn rent.

Mr. Dunn said the Duke of Norfolk had also carried out improvements on his London estate at his own expense, in some cases allowing tenants as much as £700 or £800 each, for work rendered necessary by these improvements. Mr. Farrant, Mr. Moore, and Mr. Gatliff, also gave evidence as to the readiness of ground landlords to assist in providing dwellings for working men on their estates by letting sites at less than their market value for other purposes. It seems that as regards the large estates, at any rate, ground landlords have been by no means backward in recognizing their moral obligation to assist in improving the condition of their estates.

The fact is that underlying the whole agitation for leasehold enfranchisement and the taxation of ground rents, is the idea that no one has any right to the increase in the value of their property, and it is far better that this should be openly stated and discussed, than made the motive of proposals with which it has no logical connection. For leasehold enfranchisement would only take the enjoyment of this "unearned increment" away from the lessor, to give it, not to the public, but to the leaseholder who has already been actually enjoying it while the lease is running; and has, as Mr. Tewson said, no more right to it afterwards than "the veriest beggar in the street," especially when it is remembered that, as Mr. Boodle says, the increase of value the leaseholder has enjoyed, is really due not to his building, but the position of the freeholder's land. The evidence shows that the proposal for the direct taxation of ground rents, springs, at any rate in some cases, from the desire to fine ground landlords for their prosperity, by placing a burden upon them not borne by owners of other similar investments. Mr. Saunders boldly stated he would like to throw all rates and taxes on land, and make them 20s. in the pound, so as to abolish all private ownership without compensation. He denied that the fact that money had just been invested on the security of the present laws would give any claim for compensation when the investment was thus taken away, and summed up his views in an expression of opinion that all property in land is really robbery. Mr. Rhode with greater eloquence, but less precision, put somewhat the same idea in the following remarkable words, "I put it in this way that a freeholder, in respect of a dwelling place area, was not so entitled" (to the unearned increment) "in the sense of its being against public policy, that he should be the continuous recipient of the continuing betterment of value." Mr. Castle explained that it was quite an open question, in his own mind, whether the freeholder, the leaseholder, or the public had a right to the "unearned increment" in the value of a leasehold. He "saw no particular difference between the rights either of

lessor or lessee" to "the unearned increment;" though he was constrained to admit, in reply to Mr. Elton, that though contracts for letting and hiring are very ancient, he never heard until the present time of the right of the hirer to share in the future increase of the value of the thing hired. He argued a little on both sides of the question, inquiring who created the advantage, and ingenuously concluded, "if you begin to argue on that ground you do not know where to stop," and being asked whether these remarks did not also apply to personal property, adds, "it really goes to the root of whether one has a right to any property at all." Nothing can be more true than both those propositions, nor more important than their being well brought home to our understandings. But it is, indeed, a strange sign of the times that Mr. Castle, a gentlemen charged with the management of the property of others, and no doubt prepared and competent to protect their rights, should not be willing, if the arguments are so evenly balanced in his mind, to give the benefit of the doubt to the eighth commandment, and admit that those to whom property belongs have a right to own it. This is, indeed, the simple issue of all this voluminous discussion—the Duke of Westminster and the retired tradesman (mentioned by Mr. Gregory), who had invested his savings in ground rents that the reversions might provide for his family, are in the same boat and subject to the same danger; and it is, indeed, a singular inconsistency that the very persons who, on the one hand, clamour for facilities for the working man to invest in freeholds that his thrift may be encouraged, on the other hand would take away the security for the future enjoyment of the full benefit of his investment.

It is proposed to assess building land for the payment of rates on its building value in order to force it into the market for building. Against this may be urged three great objections. One, that the cost of building land for which there was no market would be much increased by the time it came to be sold, if rates were paid in respect of it, and this of course would ultimately increase the rack rents paid by occupiers. Second, that building land usually has no value at all until it is actually used for building, and that making the owners pay rates and taxes in respect of it would be fining them cruelly for their thrift or good fortune, and, indeed, would be like taxing a landowner on the value of minerals which lay as yet unworked and unworkable in the land beneath his feet. Until the progress of a neighbourhood creates an actual demand for houses upon it, it is absolutely futile to attempt to use land for building, and to force it into the market before it is wanted is worse than useless, for it depreciates the whole surrounding neighbourhood. Land just outside the line of building may be absolutely unsaleable as building land at one time, and a few years afterwards may fetch £1,200 an acre. No attempt to push it into the market prematurely would secure a sale for it, or have any other effect than to depreciate its value, and on what principle of justice can it be assessed meanwhile at more than the actual income that can be obtained from it? It is a common practice of small tradesmen and other thrifty persons of limited means when building estates are "cut up" for sale in their neighbourhood to invest their available savings in plots of freehold land. The demand for houses may not be sufficient to enable them to get a builder to cover the plots at once, and they lie idle sometimes for three or four years, until someone is willing to take them on lease or buy them and build upon them. Meanwhile, it would be most unjust to charge the owner with rates and taxes on an investment which produced no return, and which he probably could not sell just then if he would. As a rule owners of building land are only too glad to put their land in the market

for building directly the market is ready for it, and attempting to deal with it before depreciates the value of buildings on that which has just preceded it in the market. Instances of the last fact are too common to need mention; and if there are exceptions to the former rule it would be better to deal with them directly by a measure giving local authorities power to acquire land where it is really necessary for the housing of the population and the owners refuse to voluntarily put it into the market, than to seek the same end indirectly by a measure that would cause great and undeserved hardship to the majority of owners of uncovered land who need no such inducement to deal with it. Mr. Rhodes thinks the present arrangement whereby land worth £900 an acre for building is assessed at £2 10s. per acre per annum, its agricultural value, is an "extreme iniquity," and thinks it should be assessed on a value of 4 per cent. on its capital value as building land. It appeared, however, that the land to which he referred was at Beckenham, where building has been by no means retarded for want of land, and that the land in question was actually for sale at the time. Mr. Yates, on the other hand, giving examples of his building operations, said he had bought 7 acres of land at Thornton Heath, which he was trying to get someone to build on, which "brings me in no income; neither is the land worth anything till something is put upon it in the shape of buildings." Mr. Garrard described a building estate, of which about 120 acres had been covered with houses, when the collapse in the building trade in 1866 rendered it impossible to dispose of the remainder—about 100 acres in area, and it lay dormant for 8 or 10 years, during which time "the land was practically valueless either as agricultural or building land; to have rated that would have been altogether wrong." It would be an obvious injustice to add to the loss of interest to the owners in such a case by making them pay rates and taxes on a potential value which it was then utterly impossible to obtain. He said also "with regard to rating vacant land as building land, it would be manifestly unjust because it produces nothing;" and in reply to an inquiry whether an owner might not keep his land in hand after it became possible to let it for building, he said, "I have never known such a case. A man wishes to let his land for building directly it is ripe. If you attempt to let land for building before it is ripe, everything comes to grief. I could give you an instance in the suburbs where land was let at £6 per year per acre, and six houses were built, and in 30 years only one other house was built because the man made a mistake in that way."

Mr. Cooper said that vacant building land should be rated at 4 per cent. on its capital value, and that this would bring land into the market in a place like Beckenham, a somewhat unfortunate illustration. Mr. Castle, however, did not think it desirable to compel a landowner to put his land in the market for building, and said, "I think he has every inducement to put it into the market if it is ripe." Mr. Saunders would tax the capital value of all real property, whether it produces income or not, including vacant building land and void houses, though he admitted rating the latter would discourage building as much as in his opinion taxing vacant land would encourage it. No evidence was given that there is any actual necessity for any artificial forcing of building land into the market in the neighbourhood of London; on the contrary, there was a great concurrence of testimony that building and the development of building estates round London has, for the present at any rate, considerably exceeded the demand; the suggestion appears to be, therefore, merely one form of that most effectual mode of discouraging thrift—viz., the taxation of capital apart from income; and, indeed, a peculiarly objectionable form, because in this case the object of

taxation would be capital which, in many cases, the owner could not only not make available for profit, but could not even get rid of.

Mr. Harrison and Mr. Saunders laid proposals for the direct taxation of ground rents before the Committee. Mr. Harrison would tax not only the ground rents actually received by the ground landlord, but the total value of his interest, so as to make allowance in the assessment for fines paid for renewals of leases; he considered it unjust that the new rates for local improvements which enormously increase the value of the ground landlord's reversion should be borne by the leaseholders, and suggests that such charges should be levied in the form of an assessment at the full rack rental value, of which the tenant would pay 1-5th and the landlord 4-5ths. To take Mr. Harrison's own illustration on an assessment at £100 a year, a ground landlord would pay on £80, and the tenant on £20. It might apparently very easily happen that in some cases the rates paid by the ground landlord on such an assessment exceeded the ground rent he actually received. Mr. Saunders "would impose a direct assessment on owners of ground rents, and on the owners of increased values imparted to land by building operations or other improvements." He would make the actual present value of the site the basis of assessment whatever the amount of the ground rent reserved might be; he would not add to the rates, but would shift the burden of the rates from the building to the land, "because the value of land comes without the expenditure of industry or capital on the part of the owner; and I should take it off buildings, because if you put it on buildings you check building." He thinks the occupier should pay the rates, and deduct from his ground rent the proportion paid in respect of it; and Mr. Saunders would make the rates 20s. in the pound on the land value, because the ground landlords "get the value without doing anything, and they should pay what they get." This very thorough-going proposal did not, however, meet with any general support, the other witnesses in favour of taxing ground rents going no further than the suggestion that ground landlords, by a direct assessment of ground rents, should bear a share of local taxation both as regards present and future leases; the fact that new taxes, such as the School Board rate and rates for local improvements, have been imposed since the terms of many existing leases were agreed upon, being the principal justification for altering contracts already made. In answer to this it is argued that rates are already paid in respect of ground rents, which are included in the assessment of buildings at their total annual value; and that although, as a matter of arrangement between lessor and lessee the rates on the ground rents are actually paid through the lessee, they really come out of the pocket of the lessor; because, in fixing the ground rent, the fact that the lessee was to pay all rates and taxes was taken into consideration. To relieve the lessee of part of the payment of these outgoings without raising his ground rent in proportion would, therefore, merely be to remove from him a burden he had undertaken for a valuable consideration, leaving him the benefit of the consideration. As regards new rates for local improvements and other purposes, such as fire brigades, &c., made after existing leases were granted, it is argued that inasmuch as the leaseholder gets the whole benefit of the increase of value of his holding during the term, it is only fair that he should pay the rates and taxes, which partly cause and are partly caused by the increasing prosperity and population of the neighbourhood, by which he benefits; when the lease expires the ground landlord in his turn will bear his share of the increased expenditure in the rates paid on his reversion. Mr. Rhodes, though he would not admit that rates came out of the pocket of the freeholder, did admit that land with a sewer in it without a sewer

rate would let for more ground rent for building than the same land and sewer subject to a sewer rate, which is practically the same thing. Mr. Vigers said the rates are now borne by the landlord in proportion to his interest. Mr. Gregory said that the whole value of ground rents is already taxed, the whole value of a house being taxed including the ground rent; imposing a direct tax on the ground rent would therefore be to tax it twice over; and, "according to my experience, the builder when he takes a lease" calculates upon having to pay the proportion of rates and taxes that fall upon the ground rent taken in conjunction with the occupation of the house. Mr. Garrard said, "the rating of ground rent would be altogether unjust. A ground rent is fixed upon the *then* value of the land, upon the condition the builder shall pay all rates and taxes, and the value of the land very often materially increases within ten years." . . . . "Improvements in the neighbourhood improve the property generally, and the whole increase in value goes to the lessee, The freeholder is precluded from participating in that, and ought not to be taxed in respect of improvements that are effected." Such rates as School Board rates also are either spent for the benefit of the occupiers, or are rendered necessary by the increase of population, which is a main cause of the increase in value by which the leaseholder benefits. Mr. Garrard pointed out, moreover, that the rating of ground rents would be specially unjust in many cases, because they are often not merely rents for land, strictly speaking, but in reality in part payment of interest on money expended by the lessor; and gave an instance in which, in order to lay out an estate for building, £10,000 had to be spent in a bridge, roads, and sewers, the ground rents afterwards obtained being partly interest on this outlay and partly rent for the land. Mr. Garrard also said it is universally true that in taking land builders urge the tendency of rates and taxes to increase as a reason why the ground rent should be fixed at a rate to give some margin for such increase, and that in parishes where the rates are high you have to let the land at a lower ground rent than in parishes where rent is lower. Mr. Cooper, who advocated the direct taxation of ground rents, admitted in cross-examination by the Chairman, that in leases he had recently taken at Beckenham he had covenanted as lessee to pay all rates and taxes, that these leases were fairly and freely made bargains advantageous to both parties, that the alteration of the covenant as to rates and taxes he advocated would injure the ground landlord and benefit himself, and that if the ground landlord paid part of the taxes the tenant would pay less; he admitted, moreover, that he would have paid a higher ground rent if the landlord would have paid half the local rates; nevertheless he thinks the alteration in the bargain should be made because it would be "for the benefit of the community;" a disinterested view of the subject which does credit to Mr. Cooper's public spirit. In Mr. Cooper's opinion the fact that ground rents are 25 per cent. higher at Beckenham than when the building estates were first laid out is the result of the expenditure of local authorities on improving the roads, drainage, buildings, a town hall, &c.; but it would appear that it is the growth of Beckenham, which has naturally caused a corresponding rise in the rate of ground rents, and also rendered necessary the works Mr. Cooper refers to by which the leaseholders who pay the rates benefit. Mr. Yates thinks no one taking a lease in London before 1855 could have anticipated the main-drainage rate, fire brigade rate, and School Board rate, but two of these are certainly caused by the increase of population which has caused the increase in value by which holders of building leases taken before 1855 have enormously benefitted to the entire exclusion of the ground landlords; and both the fire brigade and main drainage rate are for the convenience and

safety of occupiers, the former, indeed, to their direct pecuniary benefit in diminishing risks of fire. Mr. Yates admits, however, that the ground landlords in fixing the ground rents were content with a low rate of interest on their capital expressly because of the freedom they secured from any future charge foreseen or not. Mr. Bailey said the ground landlords having made a bargain that the lessee should bear all rates and taxes ought not to be called upon to contribute to them; as regards the main-drainage of London Mr. Bailey stated that it had enormously increased the letting value of London property, and while leases lasted the leaseholders who benefitted by that increase should pay the necessary rate; afterwards that rate would fall on the landlord as previous rates already did. Mr. Bourne said all rates and taxes already fall on landlords, the rent an occupier is willing to pay is reduced by the amount of the rates and taxes, and it is a matter of practical every day working experience that leaseholders do this. The lessee takes the risk of unforeseen rates and taxes in consideration of the higher rate of profit he receives in his share of the capital in the partnership between himself and his ground landlord. Mr. Dunn stated that the making of the Thames Embankment has been one cause of a great improvement of value in the Duke of Norfolk's London estate; the rate by which this improvement was paid for was entirely paid by the leaseholders up to 1882, when the leases fell in, and after that it fell on the ground landlord, because the amount of the rate was allowed for by the takers of new leases in fixing the rents they were willing to pay. On the other hand, the leaseholders, up to 1882 had appropriated the whole benefit of the consequent increase of value, and in many cases got very large premiums for their leases in consequence. Mr. Dunn added that the amount of rates to be paid by the lessee is always considered in a valuation to fix rental; and, as a matter of fact, applicants for leases always do inquire as to the amount of rates they will have to pay. It has already been explained that premiums or fines paid for leases are merely part of the annual value discounted for present payment, and the amount and incidence of rates and taxes is, therefore, as much taken into consideration by the lessor and lessee, when part of the annual value is paid in fine and part in rent, as when the whole is paid in yearly rent. Mr. Vigers pointed out the extreme difficulty of any equitable basis for assessment of ground rents, because they very frequently are much below the actual value of the land, sometimes because of its great increase since the ground rent was created, and sometimes because of the unequal apportionment of ground rents by the builder in the first instance, over a number of sites as before described. He gave an instance of a site let 80 years ago at a ground rent of £20 a year, a house being built upon it at a cost of £2,000, which was then worth £120 a year. It is now worth £600 a year, without any additional expenditure on the building; and Mr. Vigers enquired whether the ground rent should be assessed at £20, which is all the ground landlord can receive till the lease expires, or "on the £400 a year, which is now the improved value of the land which the lessee has enjoyed for 30 years, and for which he has paid only £20 a year." Mr. Tewson was of the same opinion, and gave an example, in which, if a site and building were rated separately according to their value the building would be assessed at £60, and the land at £740, the land alone having increased in value since it was let in 1820 at a ground rent of £20 a year. It should also be noted, that not only do occupiers enjoy the benefit of the expenditure of local rates, but that they practically have the entire control of the expenditure; which appears to make it additionally reasonable that in the first instance they should pay them.

Enough has been said to show the unfairness, as between lessor and lessee, of an alteration of the bargains they have made as to the payment of rates; but the heavy loss that would be inflicted on those who have invested money in ground rents by directly taxing them is a point that deserves serious consideration. It has been previously explained that one great element in the value of ground rents is their security; that is, not only the security of the capital invested, but the absolute certainty of an unvarying income produced by the arrangement that the lessee shall pay all rates and taxes. The direct taxation of ground rents would therefore diminish their value, not only by the capitalized amount of the reduction in the income thus caused, but by making them less valuable in proportion to the income still remaining; because there would be no security as to what future charges might be put upon them. Everyone, therefore, who had invested money in ground rents would be deprived, by the direct taxation of ground rents, of a considerable portion of their capital; probably about 25 per cent. Mr. Vigers said that he saw no injustice in providing, as regards future contracts, that the landlord should pay part of the rates, and not be able to contract himself out of the liability, because in that case the landlord would increase his ground rent accordingly; but that it would deprive investors in ground rents of 25 per cent. of their income if such a provision were made to apply to existing leases; that it would diminish the value of the ground rents by at least the capital value of the annual deduction for rates. Mr. Tewson said if such a provision were made to apply to existing contracts, it would diminish the value of ground rents to the full amount of the rates and taxes, and probably to a much larger amount on account of the insecurity as to the future that would be caused. He said such a liability would make ground rents "unsaleable to the class of people who now buy them;" that is, "prudent investors." He said also that the taxation of future ground rents would reduce their value 25 per cent., and increase the amount of the ground rent actually charged to builders in order to meet the rates and taxes. Mr. Boodle said many thousands of trustees and others have invested in ground rents because of the certainty of an ascertained income, and to interfere with this "would involve wholesale disaster to persons of limited means." Mr. Bourne said the uncertainty as to the return which would be caused by the taxation of ground rents would depreciate their value as a marketable commodity very much indeed. "Even the uncertainty that exists at the present moment is affecting the value of ground rents. People hesitate to buy them. Trustees could not invest in ground rents if they had an uncertain income arising from them." It seems, therefore, that the proposed change is not required to correct any existing unfairness in the incidence of taxation as between lessee and lessor, would increase the difficulties of assessment, and would cause very serious loss to very large numbers of owners of ground rents of all classes who, without any reason to justify it, would find their investment placed at a great disadvantage with mortgages, debenture stocks of railways, and similar investments with which it is not proposed thus to interfere.

It has been shewn, by the evidence under consideration, that freedom of contract and full liberty to landowners and builders, in and near London, to adapt their arrangements to the requirements of various localities has been on the whole the means of providing house accommodation in a most successful and efficient manner for a population larger and more rapidly increasing than that of any other city in the world; the worst existing evils have been shown to be caused by encumbrances and fetters on the landowners, which, especially in former years, limited their freedom to comply with the demands of the market; and if any legislation be required at all it seems

reasonable, therefore, to conclude that it should rather take the form of rendering it more easy for the owners to deal with land as the market may require, than of imposing restrictions on the right of lessors and lessees to make their own bargains to suit their own special circumstances. In the manufacture of houses, as in all other manufactures, legislative restrictions on the conduct of the business tend to add to the cost to the consumer without benefitting the producer; and it is not too strong a statement that it has not been shown to be even reasonably probable that any public good would be gained by the proposed legislation, as a compensation for so serious a disadvantage.


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BELL & RAILTON LD
STEAM PRINTERS
PUBLISHERS, WHOLESALE STATIONERS
LITHOGRAPHERS, ENGRAVERS
GOUGH SQUARE,
FLEET STREET

END OF
TITLE